

UMSOBOMVU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 8 to 79, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in Note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

Friday, August 30, 2013

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REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Umsobomvu Local Municipality at 30 June 2013.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011/12 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2013 indicates an increase in Net Assets, and an increase in both Non-current Liabilities and Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The increase in Current Liabilities is primarily as a result of the increase in Creditors and Unspent Conditional Grants.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2013	2012
Surplus / (Deficit) before Appropriations	17,182,494	25,816,646
Surplus / (Deficit) at the end of the Year	475,233,498	458,050,962
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	23.31%	26.00%
Remuneration of Councilors	1.93%	2.31%
Collection Costs	0.00%	0.00%
Depreciation and Amortisation	21.76%	26.89%
Impairment Losses	5.82%	1.93%
Repairs and Maintenance	2.12%	2.29%
Interest Paid	0.10%	0.12%
Bulk Purchases	12.23%	13.48%
Contracted Services	1.93%	3.43%
Grants and Subsidies Paid	0.00%	0.00%
General Expenses	30.76%	23.17%
Current Ratio:		
Trade Creditors Days	78	89
Debtors from Exchange Transactions Days	210	203

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REPORT OF THE CHIEF FINANCIAL OFFICER

2. KEY FINANCIAL INDICATORS (continued)

2.2 Performance Indicators:

INDICATOR	2013	2012
Borrowing Management:		
Capital Charges to Operating Expenditure	0.38%	1.39%
Capital Charges to Own Revenue	0.82%	2.64%
Borrowed Funding to Own Capital Expenditure	87.43%	0.00%
Borrowing to Total Capital Assets	0.77%	0.06%
Safety of Capital:		
Gearing	0.78%	0.06%
Liquidity:		
Current Ratio	1.54	1.26
Liquidity Ratio	0.79	0.71
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	88.60%	100.65%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	10.80%	0.00%
Revenue Management:		
Current Debtors Collection Rate	70.43%	76.93%
Outstanding Debtors to Revenue	36.47%	29.87%
Creditors Management:		
Creditors to Cash and Investments	43.13%	36.37%
Financial Viability:		
Debt Coverage	46.96	31.56
Outstanding Service Debtors to Revenue	68.96%	58.81%
Cost Coverage	0.34	0.41

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

The services offered by Umsobomvu Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2013 are as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	457,857,660	433,614,516	5.59	-	100.00
Operating income for the year	146,055,114	130,460,495	11.95	78,818,810	85.30
Appropriations for the year	-	-	-	-	-
	603,912,774	564,075,011	7.06	78,818,810	666.20
Expenditure:					
Operating expenditure for the year	128,872,620	104,643,849	23.15	107,143,508	20.28
Sundry transfers	-	1,573,545	(100.00)	-	-
Closing surplus / (deficit)	475,040,154	457,857,618	3.75	(28,324,698)	(1,777.12)
	603,912,774	564,075,011	7.06	78,818,810	666.20

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3. OPERATING RESULTS (continued)

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	48,831,952.48	46,370,735.94	5.31	42,797,232.00	14.10
Expenditure	65,871,939.62	60,332,562.68	9.18	60,796,163.00	8.35
Surplus / (Deficit)	(17,039,987)	(13,961,827)	22.05	(17,998,931)	(5.33)
Surplus / (Deficit) as % of total income	(34.90)%	(30.11)%		(42.06)%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	500	3,080,688	(99.98)	-	100.00
Expenditure	453,262	2,076,214	(78.17)	428,006	5.90
Surplus / (Deficit)	(452,762)	1,004,474	(145.07)	(428,006)	5.78
Surplus / (Deficit) as % of total income	(90552.40)%	32.61%		(100.00)%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	15,932,523	22,517,296	(29.24)	6,276,378	153.85
Expenditure	6,487,890	4,456,216	45.59	6,405,883	1.28
Surplus / (Deficit)	9,444,633	18,061,080	(47.71)	(129,505)	(7,392.87)
Surplus / (Deficit) as % of total income	59.28%	80.21%		(2.06)%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R15,537,775 (2012: R13,845,436). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	36,221,334	19,933,185	81.71	20,080,200	80.38
Expenditure	32,592,218	17,839,769	82.69	36,004,211	(9.48)
Surplus / (Deficit)	3,629,117	2,093,416	73.36	(15,924,011)	(122.79)
Surplus / (Deficit) as % of total income	10.02%	10.50%		(79.30)%	

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3. OPERATING RESULTS (continued)

3.5 Water Services:

Water is bought in bulk from DWAF and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R217,728 (2012: R255,364). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	45,068,804	38,558,590	16.88	9,665,000	366.31
Expenditure	23,034,795	19,535,853	17.91	19,144,475	20.32
Surplus / (Deficit)	22,034,010	19,022,737	15.83	(9,479,475)	(332.44)
Surplus / (Deficit) as % of total income	48.89%	49.33%		(98.08)%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R44,448,445 (2011/12: R45,969,880). Full details of Assets are disclosed in Notes 7, 8, 9 and Appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R44,448,445 was financed as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
External Loans	4,385,113	-	100.00	4,373,398	0.27
Grants and Subsidies	40,621,420	44,356,751	(8.42)	33,800,000	20.18
Own Funds (Accumulated Surplus)	630,378	-	100.00	-	100.00
	45,636,911	44,356,751	2.89	38,173,398	19.55

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2013	2012
External Loans	9.61%	-
Grants and Subsidies	89.01%	100.00%
Own Funds (Accumulated Surplus)	1.38%	-
	100.00%	100.00%

Capital Assets are funded to a great extent from grants and subsidies as the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

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REPORT OF THE CHIEF FINANCIAL OFFICER

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2013	2012
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(28,324,698)	1,551
Revenue variances	67,236,304	57,472,290
Expenditure variances:		
Employee Related Costs	341,266	470,009
Remuneration of Councilors	182,479	(225,722)
Depreciation and Amortisation	(587,612)	(26,998,857)
Impairment Losses	(3,437,826)	1,672,948
Repairs and Maintenance	(633,896)	(51,926)
Interest Paid	33,726	939,711
Bulk Purchases	(245,503)	(702,951)
Contracted Services	628,733	(744,152)
General Expenses	(17,934,001)	(5,609,214)
Loss on disposal of Property, Plant and Equipment	(76,478)	(407,042)
Actual surplus before appropriations	17,182,494	25,816,646

DETAILS	2013	2012
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(28,324,698)	1,551
Mayor and Executive	3,319,816	408,303
Finance and Admin	3,770,601	(3,593,312)
Community Services	(2,433,204)	(771,646)
Technical Services	56,849,979	29,771,751
Actual surplus before appropriations	33,182,494	25,816,646
	16,000,000	

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Variance actual 2012/13 / 2011/12 R	Budgeted 2012/13 R	Variance actual/ budgeted R
Executive and Council	23,423	378,443	(355,020)	2,899,974	(2,876,551)
Finance and Administration	33,290	2,166,260	(2,132,970)	4,707,386	(4,674,096)
Planning and Development	-	119,365	(119,365)	579,451	(579,451)
Community and Social Services	1,765,110	3,065,979	(1,300,868)	13,756,837	(11,991,727)
Housing	-	-	-	370,000	(370,000)
Public Safety	-	927,044	(927,044)	3,140,091	(3,140,091)
Sport and Recreation	-	9,663,130	(9,663,130)	29,398,479	(29,398,479)
Environmental Protection	-	2,550	(2,550)	6,500	(6,500)
Waste Management	-	13,861,276	(13,861,276)	16,183,806	(16,183,806)
Roads and Transport	-	82,090,061	(82,090,061)	86,191,636	(86,191,636)
Water	-	60,836,073	(60,836,073)	122,331,653	(122,331,653)
Electricity	-	19,609,081	(19,609,081)	19,845,914	(19,845,914)
Technical Services	13,715,885	798	13,715,087	48,000	13,667,885
	15,537,709	192,720,059	(177,182,351)	299,459,727	(283,922,018)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (2)".

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6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2013 amounted to R475,233,498 (30 June 2012: R458,050,962) and is made up as follows:

Capital Replacement Reserve	193,344
Accumulated Surplus	<u>475,040,154</u>
	<u>475,233,498</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

Refer to Note 19 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2013 was R3,699,414 (30 June 2012: R294,563).

Loans to the amount of R4 385 1134,385,113 (2011/12: R0) was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note 16 and Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2013 was R8,207,340 (30 June 2012: R6,872,380).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 17 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R19,345,249 as at 30 June 2013 (30 June 2012: R12,972,227) and is made up as follows:

Provision for Long-term Service	1,019,328
Provision for Rehabilitation of Land-fill Sites	<u>18,325,921</u>
	<u>19,345,249</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 18 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R43,720,026 as at 30 June 2013 (30 June 2012: R45,036,807) and is made up as follows:

Consumer Deposits	Note 10	673,889
Provisions	Note 11	335,041
Payables	Note 12	14,840,268
Unspent Conditional Grants and Receipts	Note 14	24,001,641
Current Portion of Long-term Liabilities	Note 16	<u>864,423</u>
		<u>41,409,148</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R480,927,910 as at 30 June 2013 (30 June 2012: R464,648,065).

Refer to Note 7 and Appendices "B, C and E (2)" for more detail.

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12. INTANGIBLE ASSETS

The net value of Intangible Assets were R159,296 as at 30 June 2013 (30 June 2012: R255,970).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfill its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R1,654,811 as at 30 June 2013 (30 June 2012: R1,654,811).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 9 and Appendix "B" for more detail.

14 CURRENT ASSETS

Current Assets amounted R67,463,511 as at 30 June 2013 (30 June 2012: R56,668,094) and is made up as follows:

Inventories	Note 2	413,144
Receivables from Exchange Transactions	Note 3	25,844,713
Receivables from Non-exchange Transactions	Note 4	6,795,756
Cash and Cash Equivalents	Note 5	34,409,897
		<u>67,463,511</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

15 EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 49.

16 EXPRESSION OF APPRECIATION

We are grateful to the Mayor, Councilors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

30 August 2013

Umsobomvu Local Municipality
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

2012	Budget				Actual	
2012	2013 Original	2013 Adjusted		Note	2013	2012
R	R	R			R	R
ASSETS						
40,318,817	14,178,934	56,286,367	Current Assets		67,463,511	56,668,094
37,899	-	-	Inventories	2	413,144	381,728
21,650,237	13,678,934	24,291,406	Receivables from Exchange Transactions	3	25,844,713	21,832,213
1,412,320	-	-	Receivables from Non-exchange Transactions	4	6,795,756	2,459,193
17,214,845	500,000	31,994,961	Cash and Cash Equivalents	5	34,409,897	31,994,961
350,778,203	670,347,738	423,028,893	Non-Current Assets		482,742,017	466,558,845
350,773,103	670,347,738	423,028,893	Property, Plant and Equipment	7	480,927,910	464,648,065
5,100	-	-	Intangible Assets	8	159,296	255,970
-	-	-	Investment Property	9	1,654,811	1,654,811
391,097,020	684,526,672	479,315,260	Total Assets		550,205,528	523,226,939
LIABILITIES						
40,823,684	6,168,954	45,985,256	Current Liabilities		43,720,026	45,036,807
-	-	606,488	Consumer Deposits	10	673,889	606,488
-	-	-	Provisions	11	335,041	284,721
40,823,684	4,750,000	44,927,199	Payables from Exchange Transactions	12	14,840,268	11,636,613
-	-	-	Payables from Non-exchange Transactions	13	2,310,879	2,199,612
-	-	-	Unspent Conditional Grants and Receipts	14	24,001,641	29,358,920
-	-	-	VAT Payable	15	693,887	698,884
-	1,418,954	451,569	Current Portion of Long-term Liabilities	16	864,423	251,569
13,785,124	11,963,000	25,819,789	Non-Current Liabilities		31,252,003	20,139,170
(670,032)	5,263,000	5,000,000	Long-term Liabilities	16	3,699,414	294,563
-	-	-	Retirement Benefit Liabilities	17	8,207,340	6,872,380
14,455,156	6,700,000	20,819,789	Non-current Provisions	18	19,345,249	12,972,227
54,608,808	18,131,954	71,805,045	Total Liabilities		74,972,029	65,175,977
336,488,212	666,394,718	407,510,215	Total Assets and Liabilities		475,233,498	458,050,962
336,488,212	666,394,718	407,510,215	NET ASSETS		475,233,498	458,050,962
336,488,212	666,394,718	407,510,215		19	475,233,498	458,050,962
336,488,212	666,394,718	407,510,215	Total Net Assets		475,233,498	458,050,962

UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

2012	Budget			Note	Actual	
	2013 Original	2013 Adjusted			2013	2012
R	R	R			R	R
REVENUE						
Revenue from Non-exchange Transactions						
3,915,530	4,151,512	4,194,000	Property Rates	20	4,734,634	4,145,836
358,934	300,000	150,000	Property Rates - Penalties imposed and collection charges		165,115	284,987
1,877,040	1,875,520	1,237,500	Fines		1,392,457	6,114,642
248,230	422,286	435,578	Licences and Permits		473,226	435,146
29,445,250	33,124,000	29,976,000	Government Grants and Subsidies Received	21	85,873,371	75,234,791
Revenue from Exchange Transactions						
35,416,141	38,436,799	39,034,016	Service Charges	22	40,208,601	35,052,648
138,112	158,339	291,761	Rental of Facilities and Equipment	23	412,973	391,093
18,395	18,000	21,500	Interest Earned - External Investments	24	914,267	419,278
1,405,503	1,200,000	1,225,000	Interest Earned - Outstanding Debtors	24	1,813,445	1,431,320
165,070	164,470	2,253,455	Other Revenue	25	10,067,024	5,534,103
-	-	-	Other Gains on Continued Operations		-	1,416,652
72,988,205	79,850,926	78,818,810	Total Revenue		146,055,114	130,460,495
EXPENDITURE						
27,679,125	30,696,641	30,378,933	Employee Related Costs	26	30,037,667	27,209,116
2,187,344	2,381,961	2,670,765	Remuneration of Councillors	27	2,488,286	2,413,066
1,136,802	917,758	27,449,122	Depreciation and Amortisation	28	28,036,734	28,135,659
3,693,973	3,843,777	4,065,118	Impairment Losses	29	7,502,944	2,021,025
2,346,091	2,689,069	2,093,155	Repairs and Maintenance		2,727,051	2,398,017
1,066,732	486,798	160,250	Finance Costs	30	126,524	127,021
13,397,849	15,524,124	15,510,000	Bulk Purchases	31	15,755,503	14,100,800
2,842,000	2,934,000	3,114,000	Contracted Services	32	2,485,267	3,586,152
18,636,738	20,055,528	21,700,937	General Expenses	33	39,634,938	24,245,952
-	-	1,228	Loss on Disposal of Property, Plant and Equipment		77,706	407,042
72,986,654	79,529,656	107,143,508	Total Expenditure		128,872,620	104,643,849
1,551	321,270	(28,324,698)	SURPLUS / (DEFICIT) FOR THE YEAR		17,182,494	25,816,646
Refer to Appendix E(1) for explanation of budget variances						

UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

Description	Accumulated Surplus / (Deficit) Account		Total for Accumulated Surplus/(Deficit) Account	Total
	Capital Replacement Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R
2012				
Balance at 30 June 2011	193,344	433,614,516	433,807,860	433,807,860
Correction of Error (Note 36)	-	(1,573,545)	(1,573,545)	(1,573,545)
Restated Balance	193,344	432,040,971	432,234,315	432,234,315
Surplus / (Deficit) for the year		25,816,646	25,816,646	25,816,646
Balance at 30 June 2012	193,344	457,857,618	458,050,962	458,050,962
2013				
Restated Balance	193,344	457,857,618	458,050,962	458,050,962
Surplus / (Deficit) for the year	-	17,182,536	17,182,536	17,182,536
Balance at 30 June 2013	193,344	475,040,154	475,233,498	475,233,498
	-		-	-

Details on the movement of the Funds and Reserves are set out in Note 19.

UMSOBOMVU LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

Budget				Actual	
2013 Original	2013 Adjusted		Note	2013	2012
R	R			R	R
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
45,508,926	47,594,926	Property Rates	20	1,956,270	5,791,586
94,981,450	82,833,680	Government Grant and Subsidies	21	80,177,750	96,112,435
		Service Charges	22	31,090,780	25,685,939
1,218,000	1,247,000	Interest Received	24	914,267	419,278
		Other Receipts		10,925,033	13,610,871
Payments					
(75,784,365)	(75,784,365)	Employee Related Costs	26	(28,088,390)	(26,495,665)
		Remuneration of Councillors	27	(2,488,286)	(2,413,066)
(488,198)	(165,448)	Interest Paid	30	(126,524)	(127,021)
		Suppliers Paid		(57,740,288)	(36,873,981)
		Other Payments		6,225,062	2,073,007
65,435,813	55,725,793	NET CASH FLOWS FROM OPERATING ACTIVITIES		42,845,674	77,783,384
CASH FLOWS FROM INVESTING ACTIVITIES					
(61,857,450)	(65,079,251)	Purchase of Property, Plant and Equipment	7	(44,440,265)	(45,878,799)
-		Purchase of Intangible Assets	8	(8,180)	(91,081)
-		Proceeds on Disposal of Property, Plant and Equipment		-	2,568
-		Decrease / (Increase) in Long-term Receivables		-	3,516
(61,857,450)	(65,079,251)	NET CASH FLOWS FROM INVESTING ACTIVITIES		(44,448,445)	(45,963,797)
CASH FLOWS FROM FINANCING ACTIVITIES					
-	4,373,898	Proceeds from Borrowings	16	4,385,113	-
(1,418,954)	(1,418,954)	Repayment of Borrowings	16	(367,408)	(1,330,821)
(1,418,954)	2,954,944	NET CASH FLOWS FROM FINANCING ACTIVITIES		4,017,705	(1,330,821)
2,159,409	(6,398,514)	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	5	2,414,933	30,488,765
2,759,535	2,759,535	Cash and Cash Equivalents at Beginning of Period		31,994,961	1,506,196
4,918,944	(3,638,979)	Cash and Cash Equivalents at End of Period		34,409,894	31,994,961

UMSOBOMVU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Description	2012/2013						
	Original Total Budget	Budget Adjustments	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
FINANCIAL POSITION							
Current Assets							
Inventories	-	-	-	413,144	413,144	0.00	0.00
Receivables from Exchange Transactions	13,678,934	10,612,472	24,291,406	25,844,713	1,553,307	106.39	188.94
Receivables from Non-exchange Transactions	-	-	-	6,795,756	6,795,756	0.00	0.00
VAT Receivable	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents	500,000	31,494,961	31,994,961	34,409,897	2,414,936	107.55	6,881.98
Non-Current Assets							
Property, Plant and Equipment	670,347,738	(247,318,845)	423,028,893	480,927,910	57,899,017	113.69	71.74
Intangible Assets	-	-	-	159,296	159,296	0.00	0.00
Investment Property	-	-	-	1,654,811	1,654,811	0.00	0.00
Total Assets	684,526,672	(205,211,412)	479,315,260	550,205,528	70,890,268	114.79	80.38
Current Liabilities							
Consumer Deposits	-	606,488	606,488	673,889	67,401	111.11	0.00
Provisions	-	-	-	335,041	335,041	0.00	0.00
Payables	4,750,000	40,177,199	44,927,199	17,151,146	(27,776,053)	38.18	361.08
Unspent Conditional Grants and Receipts	-	-	-	24,001,641	24,001,641	0.00	0.00
Current Portion of Long-term Liabilities	1,418,954	(967,385)	451,569	864,423	412,854	191.43	60.92
Non-Current Liabilities							
Long-term Liabilities	5,263,000	(263,000)	5,000,000	3,699,414	(1,300,586)	73.99	70.29
Retirement Benefit Liabilities	-	-	-	8,207,340	8,207,340	0.00	0.00
Non-current Provisions	6,700,000	14,119,789	20,819,789	19,345,249	(1,474,540)	92.92	288.74
Total Liabilities	18,131,954	53,673,091	71,805,045	74,972,029	3,166,984	104.41	413.48
Total Assets and Liabilities	666,394,718	(258,884,503)	407,510,215	475,233,498	67,723,283	116.62	71.31
Net Assets (Equity)							
Accumulated Surplus / (Deficit)	666,394,718	(258,884,503)	407,510,215	475,233,498	67,723,283	116.62	71.31
Total Net Assets	666,394,718	(258,884,503)	407,510,215	475,233,498	67,723,283	116.62	71.31
FINANCIAL PERFORMANCE							
Revenue from Non-exchange Transactions							
Property Rates	4,151,512	42,488	4,194,000	4,734,634	540,634	112.89	114.05
Property Rates - Penalties imposed and collection charges	300,000	(150,000)	150,000	165,115	15,115	110.08	55.04
Fines	1,875,520	(638,020)	1,237,500	1,392,457	154,957	112.52	74.24
Licences and Permits	422,286	13,292	435,578	473,226	37,648	108.64	112.06
Government Grants and Subsidies Received	33,124,000	(3,148,000)	29,976,000	45,251,951	15,275,951	150.96	136.61
Revenue from Exchange Transactions							
Service Charges	38,436,799	597,217	39,034,016	40,208,601	1,174,585	103.01	104.61
Rental of Facilities and Equipment	158,339	133,422	291,761	412,973	121,212	141.55	260.82
Interest Earned - External Investments	18,000	3,500	21,500	914,267	892,767	4,252.40	5,079.26
Interest Earned - Outstanding Debtors	1,200,000	25,000	1,225,000	1,813,445	588,445	148.04	151.12
Other Income	164,470	2,088,985	2,253,455	10,067,024	7,813,569	446.74	6,120.89
Total Revenue	79,850,926	(1,032,116)	78,818,810	105,433,694	26,614,884	133.77	132.04
Expenditure							
Employee Related Costs	30,696,641	(317,708)	30,378,933	30,037,667	(341,266)	98.88	97.85
Remuneration of Councillors	2,381,961	288,804	2,670,765	2,488,286	(182,479)	93.17	104.46
Depreciation and Amortisation	917,758	26,531,364	27,449,122	28,036,734	587,612	102.14	3,054.92
Impairment Losses	3,843,777	221,341	4,065,118	7,502,944	3,437,826	184.57	195.20
Repairs and Maintenance	2,689,069	(595,914)	2,093,155	2,727,051	633,896	130.28	101.41
Finance Costs	486,798	(326,548)	160,250	126,524	(33,726)	78.95	25.99
Bulk Purchases	15,524,124	(14,124)	15,510,000	15,755,503	245,503	101.58	101.49
Contracted Services	2,934,000	180,000	3,114,000	2,485,267	(628,733)	79.81	84.71
General Expenses	20,055,528	1,645,409	21,700,937	39,634,938	17,934,001	182.64	197.63
Loss on Disposal of Property, Plant and Equipment	-	1,228	1,228	77,706	76,478	6,327.85	0.00
Total Expenditure	79,529,656	27,613,852	107,143,508	128,872,620	21,729,112	120.28	162.04
Surplus/(Deficit)	321,270	(28,645,968)	(28,324,698)	(23,438,926)	4,885,772	0.00	0.00
Transfers Recognised - Capital	-	-	-	40,621,420	40,621,420	0.00	0.00
Surplus/(Deficit) after Capital Transfers and	321,270	(28,645,968)	(28,324,698)	17,182,494	45,507,192	0.00	5,348.30
Surplus/(Deficit) for the Year	321,270	(28,645,968)	(28,324,698)	17,182,494	45,507,192	-	5,348.30

UMSOBOMVU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

CAPITAL EXPENDITURE PER FUNCTION							
Housing		130,852	130,852	-	(130,852)	0.00	0.00
Waste Management		10,204,312	10,204,312	13,301,543	3,097,231	130.35	0.00
Roads and Transport	1,000,000	443,637	1,443,637	683,746	(759,891)	47.36	68.37
Water	57,557,450	(27,557,000)	30,000,450	29,024,979	(975,471)	96.75	50.43
Electricity	3,300,000	20,000,000	23,300,000	3,125,228	(20,174,772)	13.41	94.70
Total Sources of Capital Funds	61,857,450	3,221,801	65,079,251	61,673,205	(3,406,046)	94.77	99.70
CASH FLOW							
Cash Flows from/(used in) Operating Activities							
Property Rates	45,508,926	2,086,000	47,594,926	1,956,270	(45,638,656)	4.11	4.30
Grants	94,981,450	(12,147,770)	82,833,680	80,177,750	(2,655,930)	96.79	84.41
Service Charges	-	-	-	31,090,780	31,090,780	0.00	0.00
Interest Received	1,218,000	29,000	1,247,000	914,267	(332,733)	73.32	75.06
Other Receipts	-	-	-	10,925,033	10,925,033	0.00	0.00
Employee Related Costs	(75,784,365)	-	(75,784,365)	(28,088,390)	47,695,975	0.00	0.00
Remuneration of Councillors	-	-	-	(2,488,286)	(2,488,286)	0.00	0.00
Interest Paid	(488,198)	322,750	(165,448)	(126,524)	38,924	0.00	0.00
Suppliers Paid	-	-	-	(57,740,288)	(57,740,288)	0.00	0.00
Other Payments	-	-	-	6,225,062	6,225,062	0.00	0.00
Cash Flows from/(used in) Investing Activities							
Purchase of Property, Plant and Equipment	(61,857,450)	(3,221,801)	(65,079,251)	(44,440,265)	20,638,986	0.00	0.00
Purchase of Intangible Assets	-	-	-	(8,180)	(8,180)	0.00	0.00
Cash Flows from/(used in) Financing Activities							
New Loans raised	-	4,373,898	4,373,898	4,385,113	11,215	100.26	0.00
Loans repaid	(1,418,954)	-	(1,418,954)	(367,408)	1,051,546	0.00	0.00
Cash and Cash Equivalents at End of the Year	2,159,409	(8,557,923)	(6,398,514)	2,414,933	8,813,448	0.00	111.83

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

(a) is required by a Standard of GRAP; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgment by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgment, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 3 *Impairment of Financial Assets*

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions amounted to R7 133 065 and that of trade and other receivable from non exchange transactions to R219 047.

1. 2. 4 *Useful lives of Property, Plant and Equipment, Intangible assets and Investment property*

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgment as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 *Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories*

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgments are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgment, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: *Impairment of Cash generating Assets* and GRAP 26: *Impairment of non-Cash generating Assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management. During the year the estimated impairments to Property, plant and equipment amounted to R150 834, whilst no impairments were made to intangible assets or inventory.

1. 2. 6 *Water inventory*

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 10.2 of the accounting policy to the Annual Financial Statements.

1. 2. 7 *Defined Benefit Plan Liabilities*

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 5 and 6 to the Annual Financial Statements.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 8 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 5% (2012: 5.5%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 11.14% (2012: 11.3475%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 4.09% (2012: 11.3475%).

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the annual financial statements

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 20 Related Party Disclosures (Revised)
GRAP 25 Employee Benefits - issued December 2009
GRAP 105 Transfers between entities under common control - issued November 2010
GRAP 106 Transfers between entities not under common control - issued November 2010
GRAP 107 Mergers - issued November 2010

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:
Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
Financial Instruments (GRAP 104 Financial Instruments - October 2009)

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION (continued)

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

GRAP 18 - Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region. Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 25 – Employee Benefits

This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected. This standard does not yet have an effective date.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This standard does not yet have an effective date.

GRAP 106 – Transfer of Function Between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1. 1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
 - The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
 - Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
 - If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.
- Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and building and including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Previously, land and buildings were carried at cost less accumulated depreciation and impairment losses. These changes are recorded as a change in accounting policy in the Statement of Financial Performance.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement (continued)

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
Infrastructure		Buildings	30 - 100
Roads and Paving	45 - 50		
Electricity	45 - 50	Other	
Water	15 - 100	Specialist Vehicles	5 - 20
Sewerage	15 - 100	Other Vehicles	5 - 10
Landfill Sites	10 - 65	Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
Community		Watercraft	15
Recreational Facilities	15 - 60	Bins and Containers	5
Security	5	Specialised Plant and Equipment	10 - 15
		Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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4. Heritage Assets

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

4. 1 Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

4. 2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

4. 3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

Transitional provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 year for the measurement of heritage assets.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

5. INTANGIBLE ASSETS

5. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

	Years
<i>Intangible asset</i>	
Software	3
Website	5

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

5. INTANGIBLE ASSETS (continued)

5. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional provisions

Intangible assets recognised in terms of GRAP 102 have been presented for the financial year ended 30 June 2011 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (30 July 2013). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7. 1. *Impairment of Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

7. 2 *Impairment of Non-Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

7. IMPAIRMENT OF ASSETS (continued)

7. 2 Impairment of Non-Cash generating assets (continued)

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

8. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

Amortised cost

8. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition;
- or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

8. FINANCIAL INSTRUMENTS (continued)

8. 1 Financial Assets - Classification (continued)

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

8. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8. 3 Initial and Subsequent Measurement

8. 3. 1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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8. FINANCIAL INSTRUMENTS (continued)

8. 3 Initial and Subsequent Measurement (continued)

8. 3. 2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

8. 4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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8. FINANCIAL INSTRUMENTS (continued)

8. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

8. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

9. INVENTORIES

9. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

9. INVENTORIES (continued)

9. 2 Subsequent Measurement (continued)

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. NON-CURRENT ASSETS HELD-FOR-SALE

10. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

10. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

11. REVENUE RECOGNITION

11. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

11. REVENUE RECOGNITION (continued)

11. 2 Revenue from Exchange Transactions

11. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

11. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale.

11. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

11. 2. 4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

11. 2. 5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

11. 2. 6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11. 2. 7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

11. 2. 8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

11. REVENUE RECOGNITION (continued)

11. 3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11. 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11. 3. 2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the entity.

11. 3. 3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

11. REVENUE RECOGNITION (continued)

11. 3 Revenue from Non-exchange Transactions (continued)

11. 3. 4 Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

12. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

13. EMPLOYEE BENEFITS

13. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

13. 2 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13. 3 Defined Benefit Plans

A **defined benefit plan** is a post- employment benefit plan other than a defined contribution plan.

13. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

13. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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13. EMPLOYEE BENEFITS (continued)

13. 3 Defined Benefit Plans (continued)

13. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 47 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

13. 3. 4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

14. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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14. LEASES (continued)

14. 1 The Municipality as Lessee (continued)

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2013 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

17. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 37 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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24. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

25. COMPARATIVE INFORMATION

25. 1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

25. 2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2013.

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

27. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

28. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

1. GENERAL INFORMATION

Umsobomvu Local Municipality (the municipality) is a local government institution in Colesberg, Noupoort and Norvalspont, Colesberg, Northern Cape Province, and is one of eight local municipalities under the jurisdiction of the Pixley ka Seme District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Property Stock	370,300	370,300
Water - at cost	42,844	11,428
Total Inventories	413,144	381,728

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R3.87 per kilolitre (2012: R2.40 per kilolitre).

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Service Debtors:	46,332,658	21,380,345	24,952,312
Electricity	4,527,328	1,402,030	3,125,298
Refuse	13,280,487	6,059,226	7,221,261
Sewerage	9,119,700	4,378,987	4,740,713
Water	19,405,143	9,540,103	9,865,040
Other Receivables	1,432,793	540,392	892,401
Other Debtors	1,432,793	540,392	892,401
Total Receivables from Exchange Transactions	47,765,450	21,920,737	25,844,713
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Service Debtors:	43,411,172	22,038,014	21,373,158
Electricity	4,270,888	1,759,912	2,510,976
Refuse	12,455,064	6,019,427	6,435,637
Sewerage	8,397,920	4,292,024	4,105,896
Water	18,287,299	9,966,651	8,320,648
Other Receivables	4,038,113	3,579,058	459,055
Loan Instalments	1,887,288	1,887,288	-
Other Debtors	2,150,825	1,691,770	459,055
Total Receivables from Exchange Transactions	47,449,285	25,617,072	21,832,213

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2013, the municipality is owed R4,314,067 (30 June 2012: R613,744) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2013

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	1,709,194	261,683	220,051	2,336,400	4,527,328
Less: Provision for Impairment	64,568	61,329	45,636	1,230,496	1,402,030
Net Balances	1,644,627	200,354	174,414	1,105,904	3,125,298
Refuse:					
Gross Balances	342,020	257,050	248,395	12,433,022	13,280,487
Less: Provision for Impairment	125,409	97,623	98,258	5,737,936	6,059,226
Net Balances	216,611	159,428	150,136	6,695,086	7,221,261
Sewerage:					
Gross Balances	432,471	287,068	258,801	8,141,359	9,119,700
Less: Provision for Impairment	121,053	94,551	94,693	4,068,689	4,378,987
Net Balances	311,418	192,518	164,108	4,072,670	4,740,713
Water:					
Gross Balances	675,729	500,192	426,714	17,802,508	19,405,143
Less: Provision for Impairment	396,534	204,175	189,447	8,749,947	9,540,103
Net Balances	279,195	296,017	237,267	9,052,561	9,865,040
Other Receivables:					
Gross Balances	386,677	19,064	18,362	1,008,690	1,432,793
Less: Provision for Impairment	12,252	9,380	9,325	509,435	540,392
Net Balances	374,425	9,684	9,037	499,255	892,401
		Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	3,546,092	1,325,057	1,172,322	41,721,979	44,219,359
Less: Provision for Impairment	719,816	467,058	437,360	20,296,503	21,200,921
Net Balances	2,826,276	858,000	734,962	21,425,475	23,018,438

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

				2013 R	2012 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)					
As at 30 June 2012					
	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	1,061,547	376,354	392,427	2,440,560	4,270,888
Less: Provision for Impairment	159,350	229,267	73,896	1,297,399	1,759,912
Net Balances	902,197	147,087	318,531	1,143,161	2,510,976
Refuse:					
Gross Balances	244,167	188,849	172,717	11,849,331	12,455,064
Less: Provision for Impairment	92,401	95,548	90,410	5,741,069	6,019,427
Net Balances	151,766	93,301	82,308	6,108,262	6,435,637
Sewerage:					
Gross Balances	340,040	210,862	198,480	7,648,537	8,397,920
Less: Provision for Impairment	97,239	95,071	92,864	4,006,850	4,292,024
Net Balances	242,801	115,791	105,616	3,641,688	4,105,896
Water:					
Gross Balances	590,999	454,703	629,319	16,612,279	18,287,299
Less: Provision for Impairment	279,734	283,605	328,444	9,074,867	9,966,651
Net Balances	311,265	171,097	300,875	7,537,411	8,320,648
Other Receivables:					
Gross Balances	31,707	36,347	35,569	3,934,489	4,038,113
Less: Provision for Impairment	24,252	26,974	27,036	3,500,797	3,579,058
Net Balances	7,456	9,374	8,534	433,692	459,055
		Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	2,268,460	1,267,116	1,428,514	42,485,195	45,180,825
Less: Provision for Impairment	652,976	730,465	612,650	23,620,982	24,964,096
Net Balances	1,615,485	536,651	815,864	18,864,214	20,216,728

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2013				
<u>Current:</u>				
0 - 30 days	2,219,137	467,079	859,875	-
<u>Past Due:</u>				
31 - 60 Days	1,057,030	179,924	88,104	-
61 - 90 Days	948,860	143,387	80,075	-
+ 90 Days	39,651,026	1,769,831	301,122	-
Sub-total	43,876,054	2,560,220	1,329,176	-
Less: Provision for Impairment	(20,848,227)	(1,065,499)	(7,011)	-
Total Trade Receivables by Customer Classification	23,027,827	1,494,722	1,322,165	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013 R	2012 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)				
	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	1,395,840	732,045	140,095	481
<u>Past Due:</u>				
31 - 60 Days	1,034,002	170,747	62,115	252
61 - 90 Days	1,244,098	109,345	74,826	246
+ 90 Days	39,728,004	2,413,161	335,901	8,130
Sub-total	43,401,943	3,425,297	612,936	9,108
Less: Provision for Impairment	23,900,499	1,712,859	-	3,714
Total Trade Receivables by Customer Classification	19,501,444	1,712,438	612,936	5,394

3.3 Reconciliation of the Provision for Impairment

	2013 R	2012 R
Balance at beginning of year	25,617,071	25,922,691
<i>All Consumer Debtors</i>	25,617,071	25,922,691
<i>Assessment Rates Debtors</i>	-	-
Impairment Losses recognised	7,133,065	-
<i>All Consumer Debtors</i>	7,133,065	-
<i>Assessment Rates Debtors</i>	-	-
Impairment Losses reversed	-	(73,021)
<i>All Consumer Debtors</i>	-	(73,021)
<i>Assessment Rates Debtors</i>	-	-
Amounts written off as uncollectable	(10,829,400)	(232,599)
<i>All Consumer Debtors</i>	(10,829,400)	(232,599)
<i>Assessment Rates Debtors</i>	-	-
Balance at end of year	21,920,737	25,617,071

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

Included in the municipality's Receivables balance are debtors with a carrying amount of R23 018 438 (2012: R20 216 728) which are past due at the reporting date for which the municipality has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits (see Note 10), which are not covering the total outstanding debt. The average age of these receivables is 210 days (2012: 203 days).

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
3.4 Ageing of impaired Receivables from Exchange Transactions		
<u>Current:</u>		
0 - 30 Days	719,816	652,976
<u>Past Due:</u>		
31 - 60 Days	467,058	730,465
61 - 90 Days	437,360	612,649.78
+ 90 Days	20,296,503	23,620,982
Total	21,920,737	25,617,072

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Assessment Rates Debtors	4,337,768	1,777,814	2,559,954
Payments Made In Advance	5,728	-	5,728
Sundry Debtors	1,559,797	307,929	1,251,868
Government Subsidies	2,978,207	-	2,978,207
Total Receivables from Non-exchange Transactions	8,881,500	2,085,743	6,795,756
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Assessment Rates Debtors	3,874,763	1,665,791	2,208,972
Payments Made In Advance	(425)	-	(425)
Sundry Debtors	451,551	200,906	250,646
Total Receivables from Non-exchange Transactions	4,325,889	1,866,696	2,459,193

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The average credit period for Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2013

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Assessment Rates:					
Gross Balances	63,839	100,472	85,174	4,088,283	4,337,768
Less: Provision for Impairment	44,595	29,396	29,352	1,674,472	1,777,814
Net Balances	19,245	71,076	55,822	2,413,811	2,559,954
Payments Made In Advance:					
Gross Balances	5,728	-	-	-	5,728
Less: Provision for Impairment	-	-	-	-	-
Net Balances	5,728	-	-	-	5,728
Sundry Debtors:					
Gross Balances	1,093,063	21,878	19,428	425,429	1,559,797
Less: Provision for Impairment	9,652	9,512	9,926	278,839	307,929
Net Balances	1,083,411	12,365	9,502	146,590	1,251,868
Government Subsidies					
Gross Balances	2,978,207	-	-	-	2,978,207
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2,978,207	-	-	-	2,978,207

As at 30 June Receivables of R2,709,166 were past due but not impaired. The age analysis of these Receivables are as follows:

		Past Due			Total
		<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:					
Gross Balances	4,140,837	122,349	104,602	4,513,712	4,740,663
Less: Provision for Impairment	54,247	38,908	39,278	1,953,311	2,031,496
Net Balances	4,086,590	83,441	65,324	2,560,402	2,709,166

As at 30 June 2012

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Assessment Rates:					
Gross Balances	55,840	97,915	83,039	3,637,968	3,874,763
Less: Provision for Impairment	31,067	32,503	30,730	1,571,491	1,665,791
Net Balances	24,773	65,413	52,309	2,066,477	2,208,972
Payments made in Advance:					
Gross Balances	(425)	-	-	-	(425)
Less: Provision for Impairment	-	-	-	-	-
Net Balances	(425)	-	-	-	(425)
Sundry Debtors:					
Gross Balances	(2,121)	10,618	8,640	434,414	451,551
Less: Provision for Impairment	(3,882)	3,454	3,454	197,879	200,906
Net Balances	1,761	7,164	5,186	236,535	250,646

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

		Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	53,294	108,533	91,680	4,072,383	4,272,595
Less: Provision for Impairment	27,185	35,957	34,184	1,769,370	1,839,511
Net Balances	26,109	72,576	57,495	2,303,012	2,433,084

4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2013				
<u>Current:</u>				
0 - 30 days	208,718	949,930	2,982,189	-
<u>Past Due:</u>				
31 - 60 Days	97,197	25,095	57	-
61 - 90 Days	79,485	25,116	-	-
+ 90 Days	3,923,374	587,694	2,644	-
Sub-total	4,308,775	1,587,835	2,984,891	-
Less: Provision for Impairment	1,813,582	272,161	-	-
Total Rates Debtors by Customer Classification	2,495,192	1,315,673	2,984,891	-
	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	141,925	(74,312)	(1,447)	(13,617)
<u>Past Due:</u>				
31 - 60 Days	96,032	13,671	-	-
61 - 90 Days	85,106	6,574	-	-
+ 90 Days	3,619,068	313,632	2,255	137,427
Sub-total	3,942,131	259,565	808	123,811
Less: Provision for Impairment	1,662,595	124,409	-	79,692
Total Rates Debtors by Customer Classification	2,279,535	135,156	808	44,118

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)		
4.3 Reconciliation of Provision for Impairment		
Balance at beginning of year	1,866,696	-
<i>Other Debtors</i>	200,906	-
<i>Assessment Rates Debtors</i>	1,665,791	-
Impairment Losses recognised	219,047	1,866,696
<i>Other Debtors</i>	10,863	200,906
<i>Assessment Rates Debtors</i>	208,184	1,665,791
Balance at end of year	2,085,743	1,866,696

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Included in Receivables from Non-exchange Transactions, classified under Government Subsidies are two grants, INEP and RBIG, which the have both debit balances as these amount will be returned in the 2014 financial year.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

5 CASH AND CASH EQUIVALENTS

Current Investments	10,645,318	20,375,014
Bank Accounts	23,760,879	11,618,366
Bank Overdraft	-	-
Cash and Cash Equivalents	3,700	1,580
Total Bank, Cash and Cash Equivalents	34,409,897	31,994,961

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

5.1 Current Investment Deposits

Notice Deposits	10,645,318	20,375,014
Total Current Investment Deposits	10,645,318	20,375,014

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.10 % to 5.75 % (2011: 5% to 7.50%) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5.54 % to 5.68 % (2011: 5.40 % to 6.53 %)per annum.

INSTITUTION	ACCOUNT NUMBER	ACCOUNT TYPE		
STANDARD BANK	288901606-001	Notice Deposit	9,915,162	20,000,000
STANDARD BANK	288901541-001	Notice Deposit	110,764	110,764
			9,915,162	20,110,764
ABSA	2063 506 922	Notice Deposit	83,637	83,637
ABSA	2069 495 799	Notice Deposit	151,485	151,485
ABSA	2072 027 769	Notice Deposit	384,270	33,928
			10,534,554	20,379,815

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
5 CASH AND CASH EQUIVALENTS (continued)		
5.2 Bank Accounts		
Cash in Bank	23,760,879	11,618,366
Total Bank Accounts	23,760,879	11,618,366
The Municipality has the following bank accounts:		
Primary Bank Account		
<i>ABSA Bank - Colesberg - Account Number: 2440000005</i>		
Cash book balance at beginning of year	972,267	(693,583)
Cash book balance at end of year	8,139,714	972,267
Bank statement balance at beginning of year	972,267	197,709
Bank statement balance at end of year	8,550,925	972,267
<i>ABSA Bank - Colesberg - Account Number: 4052875289</i>		
Cash book balance at beginning of year	9,459,342	1,367,896
Cash book balance at end of year	6,842,348	9,459,342
Bank statement balance at beginning of year	9,459,342	1,766,017
Bank statement balance at end of year	7,033,752	9,459,342
<i>Standard Bank - Noupoot - Account Number: 280412835</i>		
Cash book balance at beginning of year	290,281	111,730
Cash book balance at end of year	7,310,057	290,281
Bank statement balance at beginning of year	290,280	108,897
Bank statement balance at end of year	7,310,394	290,280
<i>ABSA Bank - Colesberg - Account Number : 4061642031</i>		
Cash book balance at beginning of year	896,477	311,968
Cash book balance at end of year	1,468,760	896,477
Bank statement balance at beginning of year	311,968	576,366
Bank statement balance at end of year	1,468,760	311,968

An amount of R21 409 144 (2012: R29 358 919) is attributable to Unspent Conditional Grants.

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

5.3 Cash and Cash Equivalents

Cash Floats and Advances	3,700	1,580
Total Cash on hand in Cash Floats, Advances and Equivalents	3,700	1,580

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

6. OPERATING LEASE RECEIVABLES

The municipality had no long-term arrangements to be classified as operating lease agreements for the two financial years.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2013

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Rehabilitation Landfill Site	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2012	41,653,408	406,580,493	8,765,108	7,649,055	464,648,065
Cost	48,247,647	786,317,114	10,079,874	12,952,561	857,597,196
- Completed Assets	45,145,649	720,622,163	10,079,874	12,952,561	788,800,246
- Under Construction	3,101,998	65,694,951	-	-	68,796,949
Accumulated Impairment Losses	-	-	-	(227,349)	(227,349)
Accumulated Depreciation:	(6,594,239)	(379,736,620)	(1,314,766)	(5,076,157)	(392,721,782)
- Cost	(6,594,239)	(379,736,620)	(1,314,766)	(5,076,157)	(392,721,782)
- Revaluation	-	-	-	-	-
Acquisitions	-	11,572,883	-	3,956,645	15,529,529
Capital under Construction - Additions:	49,475	28,861,262	-	-	28,910,737
- Cost	49,475	28,861,262	-	-	28,910,737
Additions	49,475	28,861,262	-	-	28,910,737
Depreciation:	(496,286)	(25,046,154)	(438,255)	(1,951,185)	(27,931,880)
- Based on Cost	(496,286)	(25,046,154)	(438,255)	(1,951,185)	(27,931,880)
Carrying value of Disposals:	-	-	-	(77,706)	(77,706)
- Cost	-	-	-	(303,659)	(303,659)
- Accumulated Depreciation	-	-	-	225,953	225,953
- Based on Cost	-	-	-	225,953	225,953
Impairment Losses	-	-	-	(150,834)	(150,834)
Carrying values at 30 June 2013	41,206,598	421,968,485	8,326,852	9,425,976	480,927,910
Cost	48,297,122	826,751,259	10,079,874	16,605,547	901,733,802
- Completed Assets	45,145,649	732,195,046	10,079,874	16,605,547	804,026,116
- Under Construction	3,151,473	94,556,213	-	-	97,707,686
Accumulated Impairment Losses	-	-	-	(378,183)	(378,183)
Accumulated Depreciation:	(7,090,524)	(404,782,774)	(1,753,022)	(6,801,389)	(420,427,709)
- Cost	(7,090,524)	(404,782,774)	(1,753,022)	(6,801,389)	(420,427,709)
- Revaluation	-	-	-	-	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2012

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Rehabilitation Landfill Site	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2011	42,180,030	387,045,325	9,203,363	8,862,775	447,291,493
Cost	48,278,613	741,670,747	10,079,874	12,117,626	812,146,860
- Completed Assets	45,474,318	717,490,681	10,079,874	12,117,626	785,162,499
- Under Construction	2,804,295	24,180,066	-	-	26,984,361
Accumulated Depreciation:	(6,098,583)	(354,625,422)	(876,511)	(3,254,850)	(364,855,367)
- Cost	(6,098,583)	(354,625,422)	(876,511)	(3,254,850)	(364,855,367)
- Revaluation	-	-	-	-	-
Acquisitions	67,530	3,131,482	-	867,198	4,066,211
Capital under Construction - Additions:	297,704	41,514,885	-	-	41,812,589
- Cost	297,704	41,514,885	-	-	41,812,589
Additions	297,704	41,514,885	-	-	41,812,589
Depreciation:	(495,656)	(25,111,198)	(438,255)	(1,840,160)	(27,885,270)
- Based on Cost	(495,656)	(25,111,198)	(438,255)	(1,840,160)	(27,885,270)
Carrying value of Disposals:	(396,200)	-	-	(13,409)	(409,609)
- Cost	(396,200)	-	-	(32,263)	(428,463)
- Accumulated Depreciation	-	-	-	18,854	18,854
- Based on Cost	-	-	-	18,854	18,854
Impairment Losses	-	-	-	(227,349)	(227,349)
Carrying values at 30 June 2012	41,653,408	406,580,493	8,765,108	7,649,055	464,648,065
Cost	48,247,647	786,317,114	10,079,874	12,952,561	857,597,196
- Completed Assets	45,145,649	720,622,163	10,079,874	12,952,561	788,800,246
- Under Construction	3,101,998	65,694,951	-	-	68,796,949
Accumulated Impairment Losses	-	-	-	(227,349)	(227,349)
Accumulated Depreciation:	(6,594,239)	(379,736,620)	(1,314,766)	(5,076,157)	(392,721,782)
- Cost	(6,594,239)	(379,736,620)	(1,314,766)	(5,076,157)	(392,721,782)
- Revaluation	-	-	-	-	-

Property, Plant and Equipment have been restated to correctly classify amounts. Refer to Note 34 on "Correction of Error" for details of the restatement.

The leased Property, Plant and Equipment is secured as set out in Note 16.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
7 PROPERTY, PLANT AND EQUIPMENT (Continued)		
7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal		
No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.		
7.3 Assets pledged as security		
The municipality did not pledge any of its assets as security.		
7.4 Impairment of Property, Plant and Equipment		
Impairment Losses on Property, Plant and Equipment to the amount of R150,832 (2012: R227,732) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 29.		
Other Assets: Computer Equipment	3,610	1,298
Other Assets: Emergency Equipment	-	383
Other Assets: Furniture and Office Equipment	12,039	12,491
Other Assets: Motor Vehicles	126,504	204,342
Other Assets: Machinery and Equipment	8,679	9,219
Total Impairment of Property, Plant and Equipment	150,832	227,732
Impairment losses on Property, Plant and Equipment exist predominantly due to an impaired item of Property, Plant and Equipment that has been physically damaged and has become redundant and idle.		
8 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	159,296	255,970
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2012	255,970	255,970
Cost	1,650,481	1,650,481
Accumulated Amortisation	(1,394,511)	(1,394,511)
Acquisitions:	8,180	8,180
Purchased	8,180	8,180
Amortisation:	(104,854)	(104,854)
Purchased	(104,854)	(104,854)
Carrying values at 30 June 2013	159,296	159,296
Cost	1,658,661	1,658,661
Accumulated Amortisation	(1,499,365)	(1,499,365)
	Computer Software	Total
Carrying values at 01 July 2011	415,278	415,278
Cost	1,559,400	1,559,400
Accumulated Amortisation	(1,144,122)	(1,144,122)
Acquisitions:	91,081	91,081
Purchased	91,081	91,081
Amortisation:	(250,390)	(250,390)
Purchased	(250,390)	(250,390)
Carrying values at 30 June 2012	255,970	255,970
Cost	1,650,481	1,650,481
Accumulated Amortisation	(1,394,511)	(1,394,511)

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
8 INTANGIBLE ASSETS (continued)		
All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.		
No restrictions apply to any of the Intangible Assets of the municipality.		
Refer to Appendix "B" for more detail on Intangible Assets.		
8.1 Significant Intangible Assets		
The municipality has a Financial Accounting System, Abakus, which is material in relation to other intangibles assets recognised. The carrying amount of the software of R89 285,71 (2012: R160 714). Management is in the process of changing Financial Accounting System.		
9 INVESTMENT PROPERTY		
At Fair Value	<u>1,654,811</u>	<u>1,654,811</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	1,654,811	238,159
Fair Value	<u>1,654,811</u>	<u>238,159</u>
Net Gains / (Losses) from Fair Value Adjustments		<u>1,416,652</u>
Carrying values at 30 June	1,654,811	1,654,811
Fair Value	<u>1,654,811</u>	<u>1,654,811</u>
Estimated Fair Value of Investment Property at 30 June	<u>1,654,811</u>	<u>1,654,811</u>
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	550,871	503,986
All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.		
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations on Investment Property.		
Refer to Appendix "B" for more detail on Investment Property.		
9.1 Investment Property carried at Fair Value		
The municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer, DCR Consultants. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties. The valuer is of the opinion that less or no change occurred to the values of these properties because of the slow property mark.		
The following assumptions were used:		
Discount Rate	7.80%	6.74%
9.2 Impairment of Investment Property		
No impairment losses have been recognised on Investment Property of the municipality at the reporting date.		
10 CONSUMER DEPOSITS		
Electricity and Water	673,889	606,488
Total Consumer Deposits	<u>673,889</u>	<u>606,488</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>-</u>	<u>-</u>
Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.		
No interest is paid on Consumer Deposits held.		
The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.		
The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.		

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
11 PROVISIONS		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 21)	129,264	108,239
Current Portion of Non-Current Provisions (See Note 22):	205,777	176,483
Long-term Service	205,777	176,483
Total Provisions	335,041	284,721
Current Portion of Non-Current Provisions:		
	Long-term Service R	Post-retirement R
30 June 2013		
Balance at beginning of year	176,483	108,239
Transfer from non-current	29,294	21,025
Balance at end of year	205,777	129,264
	Long-term Service R	Post-retirement R
30 June 2012		
Balance at beginning of year	-	-
Transfer from non-current	176,483	108,239
Balance at end of year	176,483	108,239

12 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	12,994,015	10,850,131
Retentions	1,049,625	-
Other Creditors	796,627	786,482
Total Payables	14,840,268	11,636,613

Payables from Exchange transactions have been restated to correctly classify amounts due for Creditors not accrued for previously. Refer to Note 36 on "Correction of Error" for details of the restatement.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

13 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Staff Bonuses	557,470	667,394
Staff Leave Accrued	1,752,030	1,514,339
Sundry Deposits	1,379	17,878
Total Payables	2,310,879	2,199,612

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

14.1 Conditional Grants from Government

National Government Grants	24,001,641	29,358,920
Provincial Government Grants	8,011,916	9,170,751
Other Spheres of Government	15,989,725	-
	-	20,188,169
Total Conditional Grants and Receipts	24,001,641	29,358,920

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 21 for the reconciliation of Grants from Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
15 VAT PAYABLE		
Vat Payable	693,887	698,884
	693,887	698,884

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

16 LONG-TERM LIABILITIES

Annuity Loans	4,259,351	83,180
Finance Lease Liabilities	304,486	462,952
Sub-total	4,563,837	546,132
Less: Current Portion transferred to Current Liabilities:-	864,423	251,569
Annuity Loans	729,921	83,180
Finance Lease Liabilities	134,502	168,389
Total Long-term Liabilities (Neither past due, nor impaired)	3,699,414	294,563

16.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 2 to 11 (2012: 1 to 12) years and at interest rates varying from 9,25% to 16,50% (2012: 9,25% to 16,50%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relate to IT Equipment with a lease term of 5 (2012: 5) years. The effective interest rate on Finance Leases is between 9.00% and 15.00% (2012: 9.00% and 15.00%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

16.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2011: 5 years). The effective interest rate on Finance Leases is between 9.00% and 15.00% (2011: 9.00% and 15.00%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013		2012	
	R		R	
16 LONG-TERM LIABILITIES (continued)				
	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2013	2012	2013	2012
	R	R	R	R
Amounts payable under finance leases:				
Within one year	157,501	205,837	157,501	205,837
In the second to fifth years, inclusive	169,984	327,485	169,984	327,485
Over five years	-	-	-	-
	<u>327,485</u>	<u>533,322</u>	<u>327,485</u>	<u>533,322</u>
Less: Future Finance Obligations	22,999	70,370	22,999	70,370
Present Value of Minimum Lease Obligations	<u>304,486</u>	<u>462,952</u>	<u>304,486</u>	<u>462,952</u>
Less: Amounts due for settlement within 12 months (Current Portion)			134,502	168,389
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u>438,988</u>	<u>631,340</u>
The municipality has finance lease agreements for the following significant classes of assets:				
- Office Equipment				
Included in these classes are the following significant leases:				
(i) Printers			R 1,061,176	R 1,061,176
- Installments are payable Monthly in advance				
- Average period outstanding			30 months	30 months
- Average effective interest rate			10.00%	10.00%
- Average quarterly installment			R 22,935.63	R 22,935.63

17 RETIREMENT BENEFIT LIABILITIES

17.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	6,980,619	6,780,550
Expected Employer Benefit Payments	(71,112)	(65,532)
Current-service Cost	522,730	598,600
Interest Cost	579,616	453,740
Actuarial (Gain)/Loss Recognised in P&L	324,751	(786,739)
Balance at end of Year	<u>8,336,604</u>	<u>6,980,619</u>
Transfer to Current Provisions	(129,264)	(108,239)
Total Post-retirement Health Care Benefits Liability	<u>8,207,340</u>	<u>6,872,380</u>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	37	37
In-service Non-members (Employees)	164	156
Continuation Members (Retirees, widowers and orphans)	3	2
Total Members	<u>204</u>	<u>195</u>

The liability in respect of past service has been estimated as follows:

In-service Members	4,047,265	5,875,000
Continuation Members	2,085,840	1,124,000
Total Liability	<u>6,133,105</u>	<u>6,999,000</u>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R		
17 RETIREMENT BENEFIT LIABILITIES (continued)				
The Current-service Cost for the year ending 30 June 2013 is estimated to be R522,730, whereas the cost for the ensuing year is estimated to be R2 177 341 (30 June 2012: R453,740 and R522,730 respectively).				
The principal assumptions used for the purposes of the actuarial valuations were as follows:				
Discount Rate	9.25%	8.34%		
Health Care Cost Inflation Rate	7.81%	7.16%		
Net Effective Discount Rate	1.34%	1.11%		
Expected Retirement Age - Females	60	60		
Expected Retirement Age - Males	60	60		
Movements in the present value of the Defined Benefit Obligation were as follows:				
Balance at the beginning of the year	6,980,619	6,780,550		
Current service costs	522,730	453,740		
Interest cost	579,616	598,600		
Benefits paid	(71,112)	(65,532)		
Actuarial losses / (gains)	324,751	(786,739)		
Present Value of Fund Obligation at the end of the Year	8,336,604	6,980,619		
Actuarial losses / (gains) unrecognised	-	-		
Total Recognised Benefit Liability	8,336,604	6,980,619		
Total Benefit Liability	8,336,604	6,980,619		
The amounts recognised in the Statement of Financial Performance are as follows:				
Current service cost	522,730	453,740		
Interest cost	579,616	598,600		
Expected return on plan assets	(71,112)	(65,532)		
Actuarial losses / (gains)	324,751	(786,739)		
Total Post-retirement Benefit included in Employee Related Costs (Note 26)	1,355,985	200,069		
The history of experienced adjustments is as follows:				
	2013 R	2012 R	2011 R	2010 R
Present Value of Defined Benefit Obligation	8,336,604	6,980,619	6,780,550	5,912,204
Deficit	6,980,619	6,980,619	6,780,550	5,912,204
In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.				
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:				
Increase:				
Effect on the aggregate of the current service cost and the interest cost			1,332,300	1,273,300
Effect on the defined benefit obligation			1,138,200	8,451,000
Decrease:				
Effect on the aggregate of the current service cost and the interest cost			920,800	878,100
Effect on the defined benefit obligation			1,190,300	5,955,000
The municipality expects to make a contribution of R5 673 053 (2012: R5 310 369) to the Defined Benefit Plans during the next financial year.				
Refer to Note 45, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.				

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18 NON-CURRENT PROVISIONS		
Provision for Long Service Awards	1,019,328	874,216
Provision for Rehabilitation of Land-fill Sites	18,325,921	12,098,011
Total Non-current Provisions	19,345,249	12,972,227

The movement in Non-current Provisions are reconciled as follows:

	Long-service Awards R	Land-fill Sites R
30 June 2013		
Balance at beginning of year	1,050,699	12,098,011
Contributions to provision	(139,363)	6,227,911
Increase due to discounting	63,388	-
Expenditure incurred	190,876	-
Reduction due to re-measurement	59,505	-
	<u>1,225,105</u>	<u>18,325,921</u>
Transfer to current provisions	(205,777)	-
Balance at end of year	1,019,328	18,325,921
	Long-service Awards R	Land-fill Sites R
30 June 2012		
Balance at beginning of year	911,801	11,042,935
Contributions to provision	(64,995)	1,055,075
Increase due to discounting	67,870	-
Expenditure incurred	134,405	-
Reduction due to re-measurement	1,618	-
	<u>1,050,699</u>	<u>12,098,011</u>
Transfer to current provisions	(176,483)	-
Balance at end of year	874,216	12,098,011

18.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 198 (2012: 185) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2013 is estimated to be R190,876,190,876, whereas the cost for the ensuing year is estimated to be R157,432 (30 June 2012: R134,405 and R190,876,190,876 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.11%	6.45%
Net Effective Discount Rate	0.35%	0.43%
Expected Rate of Salary Increase	6.74%	6.00%
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	60	60

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	1,050,699	911,801
Current service costs	190,876	134,405
Interest cost	63,388	67,870
Benefits paid	(139,363)	(64,995)
Actuarial losses / (gains)	59,505	1,618
Present Value of Fund Obligation at the end of the Year	1,225,105	1,050,699
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	1,225,105	1,050,699

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18 NON-CURRENT PROVISIONS (continued)		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1,225,105	1,050,699
Total Benefit Liability	1,225,105	1,050,699
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	190,876	134,405
Interest cost	63,388	67,870
Actuarial losses / (gains)	59,505	1,618
Expected Employer Benefit Vestings	(139,363)	-
Total Post-retirement Benefit included in Employee Related Costs (Note 26)	174,406	203,893

The history of experienced adjustments is as follows:

	2013 R	2012 R	2011 R	2010 R
Present Value of Defined Benefit Obligation	1,225,105	1,050,699	911,801	750,586
Deficit	1,225,105	1,050,699	911,801	750,586

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	270,100	178,254
Effect on the defined benefit obligation	277,000	215,742
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	240,000	155,182
Effect on the defined benefit obligation	220,200	190,092

18.2 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R18,325,921 (2012: R12,098,011) to restore the site at the end of its useful life, estimated to be in 2015. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

The provision for rehabilitation are reconciled as follows :

The movement in Non-current Provisions are reconciled as follows:

Landfill site		
Balance at beginning of year	12,098,011	11,042,935
Contributions in current year	6,227,911	1,055,075
Balance of landfill site	18,325,921	12,098,011

The council will incur rehabilitation cost on its three dumping/landfill sites over the period 2012/13 up to 2018/19. Provision has been made for the net present value of this cost.

	Proposed rehabilitation	2013	2012
Noupoort	2032/2033	6,025,112	4,032,670
Norvalspont	2032/2033	5,308,382	4,032,670
Colesberg	2032/2033	6,992,427	4,032,670
		18,325,921	12,098,011

19 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	193,344	193,344
Accumulated Surplus / (Deficit) due to the results of Operations	475,040,154	457,857,618
Total Accumulated Surplus	475,233,498	458,050,962

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Notes 36 on "Correction of Error" for details of the restatements.

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013		2012	
	R		R	
20 PROPERTY RATES				
	Property Valuations		Actual Levies	
	July 2013	July 2012		
	R000's	R000's		
Residential	434,660,112	381,280,800	3,284,502	3,341,747
Commercial	70,591,137	61,922,050	1,129,133	559,925
Agricultural	617,632,586	541,782,970	278,886	160,404
State	14,628,480	12,832,000	41,303	35,609
Municipal	853,575	748,750	810	48,151
Total Property Rates	1,138,365,890	998,566,570	4,734,634	4,145,836
Attributable to:				
Continuing Operations			4,734,634	4,145,836
Discontinued Operations			-	-
			4,734,634	4,145,836
The last valuation came into effect on 1 July 2009. A general valuation has been performed during the financial year and will be applied with effect 1 Apr 2012.				
Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.				
An general rate is applied as follows to property valuations to determine property rates:				
Residential Properties: 1.0921 c/R (2011/12: 1.061 c/R)				
Business Properties: 1.292 c/R (2011/12: 1.229 c/R)				
Agricultural Properties: 0.0273 c/R (2011/12: 0.0265 c/R)				
Statel Properties: 0.0176 c/R (2011/12: 0.0163 c/R)				
A discount of 20,00% (2011/2010: 20,00%) was granted on properties owned by the State and a discount of 25% on all Agricultural				
Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.				
21 GOVERNMENT GRANTS AND SUBSIDIES				
National Equitable Share			29,319,000	26,095,000
Operational Grants			29,319,000	26,095,000
Conditional Grants			56,554,371	49,139,791
National Government: FINANCE MANAGEMENT GRANT			1,500,000	1,450,000
National Government: MIG			12,253,953	4,172,238
National Government: MSIG			800,000	790,000
National Government: DWAF			26,262,729	37,868,997
National Government: INEP			2,894,737	2,315,516
National Government: EEDG (Solar Geyser Project)			11,422,176	59,300
National Government: EPWP			683,746	-
National Government: Electricity Demand Side Management Grant			18,240	-
Provincial Government: Department of Arts and Culture			715,000	522,000
Provincial Government: Department of Housing			-	1,664,036
Provincial Government: Department of Safety			-	297,704
Other Government: DBSA			3,789	-
Total Government Grants and Subsidies			85,873,371	75,234,791
Government Grants and Subsidies:				
Conditional Grants - Capital			40,621,420	43,515,501
Conditional Grants - Operational			12,917,951	900,550
Unconditional Grants - Operational			32,334,000	28,857,000
Total Government Grants and Subsidies			85,873,371	73,273,051
Summary of Transfers:				
Conditions met - transferred to Revenue: Operating Expenses			45,251,951	31,421,586
Conditions met - transferred to Revenue: Capital Expenses			40,621,420	43,813,205
Total Transfers			85,873,371	75,234,791
Attributable to:				
Continuing Operations			85,873,371	75,234,791
Discontinued Operations			-	-
			85,873,371	75,234,791

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
21 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Operational Grants:		
21.1 National: Equitable Share	29,319,000	26,095,000
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy equal to a maximum of 6 kl of water, one refuse removal and one sewerage pond and 50 kWh of electricity, based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. Where general basic services are absent, alternative energy are provided by means of candles and paraffin.		
21.2 National: Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	26,171,000	26,095,000
Conditions met - transferred to Revenue: Operating Expenses	(29,319,000)	(26,095,000)
Other Adjustments/Refunds	3,148,000	-
Conditions still to be met - transferred to Liabilities (see Note 14)	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by National Treasury the funds are also utilised to enable the municipality to execute its functions as the local authority. Unspent portion of the Municipal Infrastructure Grant and Integrated National Electrification Programme (Eskom) for 2011 was deducted from the Equitable Share in the current financial year, total amount of R3 148 000		
21.3 National: FMG Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1,500,000	1,450,000
Conditions met - transferred to Revenue: Operating Expenses	(1,500,000)	(1,450,000)
Conditions still to be met - transferred to Liabilities (see Note 14)	-	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.		
21.4 National: MIG Funds		
Balance unspent at beginning of year	8,861,879	1,666,270
Current year receipts	14,271,000	11,774,700
Conditions met - transferred to Revenue: Operating Expenses	(790,000)	(588,250)
Conditions met - transferred to Revenue: Capital Expenses	(11,463,953)	(3,583,988)
Conditions met - transferred to Revenue: Own Income	(1,200,251)	(406,853)
Other Adjustments/Refunds	(1,666,759)	-
Conditions still to be met - transferred to Liabilities (see Note 14)	8,011,916	8,861,879
The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. An amount of R1 666 759 (2012: R0) has been withheld for the unspent portion of the 2011 financial year. This amount has been deducted from the Equitable Share allocation of the current financial year.		
21.5 National: MSIG Funds		
Balance unspent at beginning of year	-	-
Current year receipts	800,000	790,000
Conditions met - transferred to Revenue: Operating Expenses	(800,000)	(790,000)
Conditions still to be met - transferred to Liabilities (see Note 14)	-	-
The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.		
21.6 National: Department Water Affairs and Forestry (DWAF)		
Balance unspent at beginning of year	308,871	4,614,506
Current year receipts	28,172,635	37,903,140
Conditions met - transferred to Revenue: Operating Expenses	-	(253,000)
Conditions met - transferred to Revenue: Capital Expenses	(26,262,729)	(37,615,997)
Conditions met - transferred to Revenue: Own Income	(3,672,361)	(4,339,778)
Conditions still to be met - transferred to Liabilities (see Note 14)	(1,453,584)	308,871
This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWAF to the municipality, the refurbishment of water infrastructure and the payment of salaries of staff transferred from DWAF. No funds have been withheld.		

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
21 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
21.7 National -Integrated National Electrification Programme (Eskom) INEP		
Balance unspent at beginning of year	-	1,481,241
Current year receipts	3,300,000	1,170,000
Conditions met - transferred to Revenue: Capital Expenses	(2,894,737)	(2,315,516)
Conditions met - transferred to Revenue: Own Income	(405,263)	(335,725)
Other Adjustments/Refunds	(1,481,241)	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(1,481,241)</u>	<u>-</u>
Expenses were incurred to promote rural development and upgrade electricity infrastructure. An amount of R1 481 241 (2012: R0) has been withheld for the unspent portion of the 2011 financial year. This amount has been deducted from the Equitable Share allocation of the current financial year.		
21.8 National -EEDG (Solar Geyser Project)		
Balance unspent at beginning of year	19,932,398	-
Current year receipts	-	20,000,000
Conditions met - transferred to Revenue: Operating Expenses	(11,422,176)	(59,300)
Conditions met - transferred to Revenue: Own Income	(1,418,408)	(8,302)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>7,091,814</u>	<u>19,932,398</u>
Expenses were incurred to promote rural development and upgrade electricity infrastructure. An amount of R1 481 241 (2012: R0) has been withheld for the unspent portion of the 2011 financial year. This amount has been deducted from the Equitable Share allocation of the current financial year.		
21.9 National -Expanded Public Works Programme Integrated Grant for Municipalities		
Balance unspent at beginning of year	-	-
Current year receipts	3,651,264	-
Conditions met - transferred to Revenue: Operating Expenses	(683,746)	-
Conditions met - transferred to Revenue: Own Income	(12,012)	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>2,955,506</u>	<u>-</u>
Expenses were incurred to promote rural development and upgrade of road infrastructure.		
21.10 National -Electricity Demand Side Management Grant		
Balance unspent at beginning of year	-	-
Current year receipts	5,000,000	-
Conditions met - transferred to Revenue: Operating Expenses	(18,240)	-
Conditions met - transferred to Revenue: Own Income	(2,554)	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>4,979,206</u>	<u>-</u>
Expenses were incurred to promote rural development and electricity demand management.		
21.11 Provincial: Department of Arts and Culture		
Balance unspent at beginning of year	-	-
Current year receipts	715,000	522,000
Conditions met - transferred to Revenue: Operating Expenses	(715,000)	(522,000)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>
This grant was received for the building and maintenance of libraries in the district. No funds have been withheld. No funds have been withheld.		
21.12 Provincial: Department of Housing		
Balance unspent at beginning of year	130,852	94,339
Current year receipts	-	1,700,549
Conditions met - transferred to Revenue: Operating Expenses	-	(1,664,036)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>130,852</u>	<u>130,852</u>
This grant was received for the building and maintenance of libraries in the district. No funds have been withheld. No funds have been withheld.		
21.13 Provincial: Department of Safety		
Balance unspent at beginning of year	124,919	124,919
Current year receipts	-	320,557
Conditions met - transferred to Revenue: Capital Expenses	-	(297,704)
Conditions met - transferred to Revenue: Own Income	-	(22,853)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>124,919</u>	<u>124,919</u>
This grant was received for the building and maintenance of libraries in the district. No funds have been withheld. No funds have been withheld.		

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
21 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
21.14 Other Government: DBSA		
Balance unspent at beginning of year	-	-
Current year receipts	668,366	-
Conditions met - transferred to Revenue: Operating Expenses	(3,789)	-
Conditions met - transferred to Revenue: Own Income	(531)	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>664,046</u>	<u>-</u>
No funds have been withheld.		
22 SERVICE CHARGES		
Sale of Electricity	19,645,481	16,680,446
Sale of Water	9,486,160	8,387,449
Refuse Removal	4,934,277	4,478,378
Sewerage and Sanitation Charges	6,142,683	5,506,374
Total Service Charges	<u>40,208,601</u>	<u>35,052,648</u>
Attributable to:		
Continuing Operations	40,208,601	35,052,648
	<u>40,208,601</u>	<u>35,052,648</u>
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
23 RENTAL OF FACILITIES AND EQUIPMENT		
Operating Lease Rental Revenue:		
- Investment Property	273,880	257,177
Rental Revenue from Buildings	8,175	8,714
Rental Revenue from Halls	37,805	45,027
Rental Revenue from Land	73,185	63,550
Rental Revenue from Other Facilities	19,929	16,625
Total Rental of Facilities and Equipment	<u>412,973</u>	<u>391,093</u>
Attributable to:		
Continuing Operations	412,973	391,093
	<u>412,973</u>	<u>391,093</u>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
24 INTEREST EARNED		
Property Rates:		
Penalties imposed and Collection Charges	165,115	284,987
	<u>165,115</u>	<u>284,987</u>
External Investments:		
Bank Account	17,051	11,616
Investments	897,216	407,663
	<u>914,267</u>	<u>419,278</u>
Outstanding Debtors:		
Outstanding Billing Debtors	1,813,445	1,431,320
	<u>1,813,445</u>	<u>1,431,320</u>
Total Interest Earned	<u>2,892,827</u>	<u>2,135,585</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	914,267	419,278
Loans and Receivables	1,978,560	1,716,307
	<u>2,892,827</u>	<u>2,135,585</u>
Interest Earned on Non-financial Assets	-	-
	<u>2,892,827</u>	<u>2,135,585</u>
Revenue recognised in respect of Financial Assets designated as at "fair value" is disclosed in Note 39.		

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
25 OTHER REVENUE		
Building Plan Fees	13,511	15,589
Cemetery Fees	20,718	23,111
Insurance Claims	1,953,792	116,006
Lease Advertising Signs	10,850	12,458
Prints	2,831	1,271
Tender Documents	42,213	8,684
Town Planning Fees	10,875	3,485
VAT Own Income	6,692,673	5,047,128
Bloemwater Contribution	891,284	-
Sundry Income	428,277	306,371
Total Other Revenue	10,067,024	5,534,103
Attributable to:		
Continuing Operations	10,067,024	5,534,103
	10,067,024	5,534,103

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

26 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	22,567,762	21,619,684
Basic Salaries and Wages	21,018,265	20,048,707
Long Service Bonuses	162,202	138,898.00
Service Bonuses	1,387,295	1,432,078
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	4,117,242	3,731,913
Group Life	4,407	4,039
Medical	510,525	481,103
Pension	3,031,151	2,740,738
Industrial Council Levy	22	-
Skills Development Levy	371,201	316,564
UIF	199,936	189,468
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	724,466	717,187
Allowances	724,466	717,187
Housing Benefits and Allowances	46,350	47,916
Overtime Payments	1,225,861	753,449
Defined Benefit Plan Expense:	1,355,985	338,967
Current Service Cost	522,730	588,145
Interest Cost	579,616	666,470
Benefits Paid	(71,112)	(130,527)
Net Actuarial (gains)/losses recognised	324,751	(785,121)
Total Employee Related Costs	30,037,667	27,209,116
Attributable to:		
Continuing Operations	30,037,667	27,209,116
	30,037,667	27,209,116

Advances are made to employees in terms of the municipality's policy to assist them in the event of the death of a dependant.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	844,491	695,896
Annual Bonus	83,015	55,433
Car and Other Allowances	134,250	265,222
Company Contributions to UIF, Medical and Pension Funds	1,782	1,547
Total	1,063,538	1,018,097

Remuneration of the Chief Financial Officer

Annual Remuneration	567,459	527,523
Annual Bonus	66,412	50,681
Car and Other Allowances	136,594	175,911
Company Contributions to UIF, Medical and Pension Funds	1,782	1,547
Total	772,247	755,662

Remuneration of the Manager: Community Services

Annual Remuneration	134,241	496,817
Annual Bonus	61,201	40,867
Car and Other Allowances	28,798	237,361
Company Contributions to UIF, Medical and Pension Funds	390	1,547
Total	224,630	776,590

The Community Manager resigned at the end of Sept 2012. This post was then taken away and a Corporate Manager post was created. Mnr. Kapp are the Acting manager with out any compensation.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26 EMPLOYEE RELATED COSTS (continued)		
<i>Remuneration of the Manager: Technical Services</i>		
Annual Remuneration	635,683	592,117
Annual Bonus	66,412	44,346
Car and Other Allowances	72,000	113,923
Company Contributions to UIF, Medical and Pension Funds	1,782	1,547
Total	775,877	751,933
No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.		
27 REMUNERATION OF COUNCILLORS		
Mayor	455,830	424,577
Councillors	1,627,867	1,546,956
Other Allowances (Cellular Phones, Housing, Transport, etc)	404,589	441,533
Telephone Allowance	137,177	124,451
Travelling Allowance	267,412	317,082
Total Councillors' Remuneration	2,488,286	2,413,066
Remuneration of Councillors:		
<i>In-kind Benefits</i>		
The Councillors occupying the positions of Mayor, Speaker, Chief Whip and four members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.		
The Mayor has use of a Council owned vehicle for official duties.		
28 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	27,931,880	27,885,270
Amortisation: Intangible Assets	104,854	250,390
Total Depreciation and Amortisation	28,036,734	28,135,659
Attributable to:		
Continuing Operations	28,036,734	28,135,659
	28,036,734	28,135,659
29 IMPAIRMENT LOSSES		
<i>29.1 Impairment Losses on Fixed Assets</i>		
Impairment Losses Recognised:	150,832	227,349
Property, Plant and Equipment	150,832	227,349
	150,832	227,349
<i>29.2 Impairment Losses on Financial Assets</i>		
Impairment Losses Recognised:	7,352,112	1,866,696
Receivables from Exchange Transactions	7,133,065	-
Receivables from Non-exchange Transactions	219,047	1,866,696
Impairment Losses Reversed:	-	(73,021)
Receivables from Exchange Transactions	-	(73,021)
	7,352,112	1,793,676
Total Impairment Losses	7,502,944	2,021,025
Attributable to:		
Continuing Operations	7,502,944	2,021,025
	7,502,944	2,021,025
30 FINANCE COSTS		
Bank Overdraft	-	35
Finance Leases	37,448	75,864
Loans and Payables at amortised cost	89,075	51,122
Total Interest Expense	126,524	127,021
Total Interest Paid on External Borrowings	126,524	127,021
Attributable to:		
Continuing Operations	126,524	127,021
	126,524	127,021
The weighted average capitalisation rate on funds borrowed generally is 5,27% per annum (2012: 5,24% per annum).		

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
31 BULK PURCHASES		
Electricity	15,537,775	13,845,436
Water	217,728	255,364
Total Bulk Purchases	15,755,503	14,100,800

Bulk Purchases have been restated to correctly classify expenditure incurred in terms of a VAT Audit performed. Refer to Note 36 on "Correction of Error" for details of the restatement.

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from DWAF and "Boreholes".

32 CONTRACTED SERVICES

Other Contracted Services	2,485,267	3,586,152
Total Contracted Services	2,485,267	3,586,152
Attributable to:		
Continuing Operations	2,485,267	3,586,152
	2,485,267	3,586,152

Contracted Services have been restated to correctly classify expenditure incurred in terms of a VAT Audit performed. Refer to Note 36 on "Correction of Error" for details of the restatement.

33 GENERAL EXPENSES

Included in General Expenses are the following:

Advertising	182,698	89,888
Audit Fees	1,699,589	2,002,989
Bank Charges	234,170	208,839
Branding of the Municipality	1,083,596	-
Chemicals and Poison	297,060	286,801
Cleaning Costs	24,911	55,496
Consumer Debtors	2,886,666	2,302,592
Entertainment	58,113	97,151
Fuel and Oil	1,124,811	951,687
IDP Review	166,871	-
Indigent Support	5,949,089	6,588,807
Insurance	841,699	609,831
Lease Charges	251,540	123,758
Local Economical Development	540,094	485,031
Legal Costs	611,870	85,959
Library	500,481	343,410
Licenses	63,886	55,386
Membership Fees	406,000	201,623
Materials and Stocks	67,434	78,098
Special programs - 100 Houses Noupoot	-	1,664,036
Special programs - Bulk Water Leanships	-	253,000
Special programs - Solar Geyzer	11,222,176	59,300
Special programs - Community Participation	45,452	35,039
Special programs - Colesberg EPWP	683,746	-
Special programs - Norvalspont Water Feasibility	368,291	-
Special programs - EEDSM	18,240	-
Special programs - DBSA Water Training	3,789	-
Other General Expenses	6,850,742	1,596,049
Postage and Telegrams	159,510	135,060
Printing and Stationery	188,782	192,223
Subsistence and Travelling	1,511,694	1,273,848
Town Planing	811	10,346
Telephone Cost	602,696	671,869
Training Costs	98,299	74,368
Traffic	610,363	3,670,187
Ward Committee	204,000	-
Uniforms and Protective Clothing	75,768	43,283
Total General Expenses	39,634,938	24,245,952

General Expenses have been restated to correctly classify expenditure incurred in terms of a VAT Audit performed. Refer to Note 36 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

34.1 Material Losses

	5,652,231	10,132,922
Theft	-	20,501
Distribution Losses:		
Electricity Losses	2,370,081	3,395,129
Water Losses	3,282,150	6,717,292

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
34 OTHER GAINS AND LOSSES		
Change in Fair Value of Investment Property	-	1,416,652
Net Other Gains and Losses	<u>-</u>	<u>1,416,652</u>

35 CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 2012/13 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

GRAP 21 Impairment of Non-cash-generating Assets
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget Information in the Financial Statements
GRAP 26 Impairment of Cash-generating Assets
GRAP 103 Heritage Assets
GRAP 104 Financial Instruments

35.1 GRAP 104: FINANCIAL INSTRUMENTS

The municipality developed an Accounting Policy to fully comply with GRAP 104: Financial Instruments. Previously the municipality used the principles set out in IAS 39 to account for financial instruments. Management has evaluated the requirements of the Standard and it was found that the only adjustment to be made is to the classification of the Financial Assets (as illustrated below):

Reclassification of Financial Instruments

FINANCIAL ASSETS	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
Trade and Other Receivables from Exchange Transactions	Loans and Receivables	Amortised cost	25,844,713.32	25,844,713.32
Trade and Other Receivables from Non-Exchange Transactions	Loans and Receivables	Amortised cost	6,795,756.42	6,795,756.42
Bank, Cash and Cash Equivalents	Loans and Receivables	Amortised cost	34,409,897.09	34,409,897.09

35.2 GRAP 21: IMPAIRMENT OF NON-CASH-GENERATING ASSETS

The municipality has developed Accounting Policies to fully comply with GRAP 21: Impairment of Non-cash-generating Assets. Previously the municipality used the principles set out in IPSAS 21 to account for impairment of Non - cash - generating assets. GRAP 21 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 21 and IPSAS 21 are similar.

35.3 GRAP 26: IMPAIRMENT OF CASH-GENERATING ASSETS

The municipality has developed Accounting Policies to fully comply with GRAP 26: Impairment of Cash-generating Assets. Previously the municipality used the principles set out in IAS 36 to account for impairment of Cash - generating assets. GRAP 26 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 26 and IAS 36 are similar.

35.4 GRAP 24: PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

The municipality has developed Accounting Policies to fully comply with GRAP 24: Presentation of Budget Information in the Financial Statements. Previously the municipality used the principles set out in GRAP 1 to present budget information. GRAP 24 is to be applied prospectively. To fully comply with the requirements set out in this Standard, the municipality have included the following budget information:

- Budget Statement
- Appendix E1: Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)
- Appendix E2: Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)
- Appendix E3: Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)
- Appendix E4: Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding
- Appendix E5: Reconciliation of Table A7 Budgeted Cash Flows

Appendix E1 and E2 were also presented last year. Appendix E3, E4 and E5 are presented for the first time for the year ending 30 June 2013.

35.5 GRAP 103: HERITAGE ASSETS

The municipality has developed Accounting Policies to fully comply with GRAP 103: Heritage Assets. In the previous financial years presented, management used GRAP 103 to formulate an Accounting Policy, therefore no retrospective adjustment is required to the Annual Financial Statements.

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of heritage assets.

36 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

Details of the appropriations are as follows:

Statement of Financial Position:

VAT Payable	(93,528)	(93,528)
Property, Plant and Equipment	545,771	545,771
Creditors	(962,763)	(962,763)
Accumulated Surplus / (Deficit) - Prior Year Adjustments	1,573,545	1,573,545
Accumulated Surplus / (Deficit) - (Surplus) / Deficit for the Year	(1,063,024)	(1,063,024)
	<u>-</u>	<u>-</u>

Statement of Financial Performance:

Fines	(749,922)
Rental of Facilities and Equipment	(12,031)
Depreciation and Amortisation	96,857
Repairs and Maintenance	(18,962)
Contracted Services	(3,371)
General Expenses	(375,595)
	<u>(1,063,024)</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
36 CORRECTION OF ERROR (continued)		
36.1 Reclassification of Statement of Financial Performance:		
The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.		
Details of the appropriations are as follows:	2013/2012	2012/2011
		Restated Amount
Other Revenue	5,534,103	5,531,064 (3,039)
Repairs and Maintenance	2,398,017	2,398,918 (902)
General Expenses	24,245,952	24,242,011 3,941
	<u>32,178,072</u>	<u>32,171,993</u> -
36.2 Reclassification of Statement of Financial Position:		
The prior year figures have been restated to correctly classify the nature.		
Details of the appropriations are as follows:	2013/2012	2012/2011
		Restated Amount
Provisions	284,721	- 284,721
Payables from Exchange Transactions	11,636,613	13,836,224 (2,199,612)
Payables from Non-exchange Transactions	2,199,612	- 2,199,612
Retirement Benefit Liabilities	6,872,380	6,980,619 (108,239)
Non-current Provisions	12,972,227	13,148,710 (176,483)
	<u>33,965,553</u>	<u>33,965,553</u> -
36.3 Misstatement Property, Plant and Equipment and Payables		
During the 2013 financial year the municipality received an invoice late which was not provided as a creditor, furthermore the Work-in-Progress of the project on 30 June 2012 was understated.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
Increase / (decrease) in Property, Plant and Equipment	1,009,692	1,009,692
(Increase) / decrease in Creditors	(1,009,692)	(1,009,692)
	<u>-</u>	<u>-</u>
36.4 Misstatement Value Add Tax and Traffic Fines		
During the 2012 financial year the municipality incorrectly declared VAT on traffic fines income. Management corrected this misstatement in the 2013 financial year.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(749,922)	-
(Increase) / decrease in VAT Payable	749,922	749,922
Statement of Financial Performance:		
(Increase) / decrease in Fines	-	(749,922)
	<u>-</u>	<u>-</u>
36.5 Misstatement of Value Add Tax		
A VAT review was done by Max Prof. Consultants to correct the VAT that could be claimed by the Municipality in the prior years. These amounts were retrospectively corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(429,116)	(31,188)
Increase / (decrease) in VAT Payable	429,116	429,116
Statement of Financial Performance:		
Increase / (decrease) in Repairs and Maintenance	-	(18,962)
Increase / (decrease) in Contracted Services	-	(3,371)
Increase / (decrease) in General Expenses	-	(375,595)
	<u>-</u>	<u>-</u>
36.6 Misstatement of Payables and Rental of Facilities and Equipment		
During the 2012/2013 financial year management recovered that the rental income and deposit's received are not accounted correctly. This was retrospectively corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(55,185)	(46,929)
(Increase) / decrease in Creditors	55,185	55,185
Statement of Financial Performance:		
(Increase) / decrease in Rental of Facilities and Equipment	-	(8,256)
	<u>-</u>	<u>-</u>

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
36 CORRECTION OF ERROR (continued)		
<u>36.7 Misstatement of Misstatement Property, Plant and Equipment</u>		
During the verification of all assets as well as reconciling the commitment, management needed to account for gains as well as invoices not accounted for in the previous financial years. This was retrospectively corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	463,922	367,065
Increase / (decrease) in Property, Plant and Equipment	(463,921)	(463,921)
Statement of Financial Performance:		
(Increase) / decrease in Depreciation and Amortization		96,857
	-	-
<u>36.8 Misstatement of Misstatement Property, Plant and Equipment</u>		
In 2012 management posted a journal on VAT for a refund not received, but this was done incorrectly.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	1,272,566	1,272,566
Increase / (decrease) in VAT Payable	(1,272,566)	(1,272,566)
	-	-
37 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	17,182,494	25,816,646
Adjustment for:		
Correction of Prior Year Errors	-	66,086
Depreciation and Amortisation	28,036,734	28,038,803
Impairment Losses on Property, Plant and Equipment	150,832	227,349
Losses / (Gains) on Disposal of Property, Plant and Equipment	77,706	407,042
Contribution to Retirement Benefit Liabilities	-	(1,416,652)
Expenditure incurred from Retirement Benefit Liabilities	1,335,002	91,830
Contribution to Provisions - Non-current	50,320	284,721
Expenditure incurred from Provisions - Current	6,373,022	1,017,491
Operating surplus before working capital changes	53,206,110	54,533,316
Decrease/(Increase) in Inventories	(31,416)	26,471
Decrease/(Increase) in Receivables from Exchange Transactions	(4,012,500)	(8,135,590)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(3,950,854)	1,511,790
Increase/(Decrease) in Consumer Deposits	67,400	50,010
Increase/(Decrease) in Payables	3,357,046	7,804,953
Increase/(Decrease) in Conditional Grants and Receipts	(5,357,279)	20,877,644
Increase/(Decrease) in VAT Payable	(432,834)	1,017,932
Cash generated by / (utilised in) Operations	42,845,674	77,686,526
38 NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2012/13 financial year.		
39 FINANCING FACILITIES		
The municipality did not have any Financing Facilities available at any time during the two financial years.		
40 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 16)	4,563,837	546,132
Used to finance Property, Plant and Equipment - at cost	(4,563,837)	(546,132)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 5)	-	-
Cash invested for Repayment of Long-term Liabilities	-	-
Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.		

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
41.1 Unauthorised Expenditure		
Reconciliation of Unauthorised Expenditure:		
Opening balance	1,639,773	28,464,652
Unauthorised Expenditure current year	7,841,791	33,375,404
Approved by Council or condoned	-	(60,200,283)
Transfer to receivables for recovery (see Note 4)	-	-
Unauthorised Expenditure awaiting authorisation	<u>9,481,564</u>	<u>1,639,773</u>

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted votes exceeded:-	To be condoned by Council
- Mayor and Executive - R0 (2012: R0)	
- Finance and Administration - R0 (2012: R4,697,559)	
- Planning and Development - R0 (2012: R5,079,660)	
- LED and IDP - R0 (2012: R22,441)	
- Community and Social Services - R2,808,285 (2012: R3,538,991)	
- Housing - R0 (2012: R1,653,073)	
- Public Safety - R0 (2012: R3,527,501)	
- Technical Services - R5,033,506 (2012: R0)	
- Water - R0 (2012: R12,873,164)	
- Electricity - R0 (2012: R1,983,016)	
- Other - R0 (2012: R0)	

41.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	35	-
Fruitless and Wasteful Expenditure current year	-	35
Fruitless and Wasteful Expenditure awaiting condonement	<u>35</u>	<u>35</u>

Incident	Disciplinary Steps / Criminal Proceedings
Interest on late payment - Various Creditors - R0 (2012: R35)	None

41.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:		
Opening balance	-	2,168,113
Irregular Expenditure current year	547,896	4,291,050
Condoned or written off by Council as per Circular 68	(547,896)	(6,438,662)
Transfer to receivables for recovery (see Note 4)	-	(20,501)
Irregular Expenditure awaiting condonement	<u>-</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings
Fraud	Mr. Percy Mugwedi was charged with fraud for the estimate amount of R100 000 at the beginning of the 2012/2013 financial year, but relates to the current financial year. An investigation is still underway.
During the year management identified purchases where the SCM procedures were not followed as to no Tax Clearance Certificates were obtained from the suppliers	These matter are being investigated and further communication will be addressed at the next council meeting.
During the year a Ms. Nomzamo Maciki was formally charged with theft, gross dishonesty and failure to obey lawful and reasonable instructions by a person. Having the authority to do so.	The incident was reported to all institutions and all required steps were taken. Ms Maciki was formally charged and the court case is still in progress. The amount of R20 501 is included under other debtors to be recovered.
Deviations from SCM procedures not regarded as Irregular Expenditure	During the year deviations amounting to R4 770 969 (2012: R4 291 050) were identified relating less than the minimum quotations obtained. These items were identified in the current year after a detailed investigation by management. The register containing the detail of the total balance is available for inspection, based on the discretion of management. No disciplinary steps have been taken to date and no formal investigation into the matters have been launched. A report relating the deviations was adopted by the council and approved by the Municipal Manager.

42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

42.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	400,000	201,623
Amount Paid - current year	(400,000)	(201,623)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

42.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	1,699,589	1,819,076
Council Subscriptions - VAT Portion	237,942	
Amount Paid - current year	(1,937,532)	(1,819,076)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

42.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note N/A. All VAT returns have been submitted by the due date throughout the year.

42.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	3,442,436	3,603,561
Amount Paid - current year	(3,442,436)	(3,603,561)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)		
42.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	5,367,897	4,740,724
Amount Paid - current year	(5,367,897)	(4,740,724)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

42.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2013			
Councillor FRITZ ANNIE	1,472	1,135	337
Councillor E. HUMPHRIES	1,146	963	183
Councillor N.B. MDALA	759	672	87
Councillor S.G. MLENZANA	915	736	179
Councillor S. NGALIMANI	403	307	95
Councillor N. REYNERS	2,393	1,966	426
Councillor SESTILE M ALBERT	9,295	-	9,295
Councillor N.B. SIKO	1,083	828	255
Total Councillor Arrear Consumer Accounts	<u>17,464</u>	<u>6,607</u>	<u>10,857</u>
30 June 2012			
Councillor SESTILE M ALBERT	9,923	-	9,923
Total Councillor Arrear Consumer Accounts	<u>9,923</u>	<u>-</u>	<u>9,923</u>

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

	Highest amount outstanding	Ageing
30 June 2013		
Councillor FRITZ ANNIE	337	> 90 Days
Councillor E. HUMPHRIES	183	> 90 Days
Councillor N.B. MDALA	87	> 90 Days
Councillor S.G. MLENZANA	179	> 90 Days
Councillor S. NGALIMANI	95	> 90 Days
Councillor N. REYNERS	372	> 90 Days
Councillor SESTILE M ALBERT	9,295	> 90 Days
Councillor N.B. SIKO	255	> 90 Days
30 June 2012		
Councillor SESTILE M ALBERT	9,295	> 90 Days

42.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

42.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were submitted to every 4 months, which condoned the various cases. Council's Resolution A14/06/2007 refers.

42.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

	Lost Units	Tariff	Value
30 June 2013			
Unaccounted Electricity Losses	3,885,378	0.6100	2,370,081
30 June 2012			
Unaccounted Electricity Losses	6,287,276	0.5400	3,395,129

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	2013 R	2012 R
Volumes in kWh/year:		
System Input Volume	24,271,680	24,399,180
Billed Consumption	(20,386,302)	(18,111,904)
Distribution Loss	3,885,378	6,287,276
Percentage Distribution Loss	16.01%	25.77%

Water:

	Lost Units	Tariff	Value
30 June 2013			
Unaccounted Water Losses	850,298	3.8600	3,282,150
30 June 2012			
Unaccounted Water Losses	1,740,231	3.8600	6,717,292

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)			
		2013 R	2012 R
Volumes in KI/year:			
System Input Volume		2,367,873	2,831,925
Billed Consumption		(1,517,575)	(1,091,694)
Distribution Loss		850,298	1,740,231
Percentage Distribution Loss		35.91%	61.45%
43 COMMITMENTS FOR EXPENDITURE			
43.1 Capital Commitments			
Commitments in respect of Capital Expenditure:			
- Approved and Contracted for:-		43,744,507	89,520,098
Infrastructure		29,481,593	69,587,700
Other		14,262,914	19,932,398
- Approved but Not Yet Contracted for:-		-	10,551,253
Infrastructure		-	4,684,527
Other		-	5,866,726
Total Capital Commitments		43,744,507	100,071,351
This expenditure will be financed from:			
Government Grants		43,744,507	100,071,351
		43,744,507	100,071,351
43.2 Lease Commitments			
Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Note 16.			
44 FINANCIAL INSTRUMENTS			
44.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
<u>Financial Assets</u>	<u>Classification</u>		
Receivables from Exchange Transactions			
Electricity	Loans and receivables	3,125,298	2,510,976
Refuse	Loans and receivables	7,221,261	6,435,637
Sewerage	Loans and receivables	4,740,713	4,105,896
Water	Loans and receivables	9,865,040	8,320,648
Other Receivables	Loans and receivables	892,401	459,055
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	2,559,954	2,208,972
Short-term Loans	Amortised cost	5,728	(425)
Accruals	Amortised cost	1,251,868	250,646
Cash and Cash Equivalents			
Notice Deposits	Amortised cost	10,645,318	20,375,014
Bank Balances	Fair value	23,760,879	11,618,366
Cash Floats and Advances	Fair value	3,700	1,580
SUMMARY OF FINANCIAL ASSETS			
Receivables from Exchange Transactions	Electricity	3,125,298	2,510,976
Receivables from Exchange Transactions	Refuse	7,221,261	6,435,637
Receivables from Exchange Transactions	Sewerage	4,740,713	4,105,896
Receivables from Exchange Transactions	Water	9,865,040	8,320,648
Receivables from Exchange Transactions	Other Debtors	892,401	459,055
Receivables from Non-exchange Transactions	Assessment Rates Debtors	2,559,954	2,208,972
Receivables from Non-exchange Transactions	Short-term Loans	5,728	(425)
Receivables from Non-exchange Transactions	Accruals	1,251,868	250,646
Cash and Cash Equivalents	Notice Deposits	10,645,318	20,375,014
		43,285,788	44,666,420
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Bank Balances	23,760,879	11,618,366
Cash and Cash Equivalents	Cash Floats and Advances	3,700	1,580
		23,764,579	11,619,946
Total Financial Assets		67,050,367	56,286,367

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
44 FINANCIAL INSTRUMENTS (continued)			
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	3,529,430	-
Finance Lease Liabilities	Amortised cost	169,984	294,563
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	12,994,015	10,850,131
Retentions	Amortised cost	1,049,625	-
Payables from Non-exchange Transactions			
Staff Bonuses	Amortised cost	557,470	667,394
Staff Leave Accrued	Amortised cost	1,752,030	1,514,339
Sundry Deposits	Amortised cost	1,379	17,878
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	729,921	83,180
Finance Lease Liabilities	Amortised cost	134,502	168,389
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	3,529,430	-
Long-term Liabilities	Finance Lease Liabilities	169,984	294,563
Payables from Exchange Transactions	Trade Creditors	12,994,015	10,850,131
Payables from Non-exchange Transactions	Staff Bonuses	557,470	667,394
Payables from Non-exchange Transactions	Staff Leave Accrued	1,752,030	1,514,339
Payables from Non-exchange Transactions	Sundry Deposits	1,379	17,878
Current Portion of Long-term Liabilities	Annuity Loans	729,921	83,180
Current Portion of Long-term Liabilities	Finance Lease Liabilities	134,502	168,389
		<u>20,918,356</u>	<u>13,595,874</u>
Total Financial Liabilities		<u>20,918,356</u>	<u>13,595,874</u>

44.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2013, as a result of the short-term maturity of these assets and liabilities.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013		2012	
	R		R	
44 FINANCIAL INSTRUMENTS (continued)				
The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:				
	30 June 2013		30 June 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	R	R	R	R
FINANCIAL ASSETS				
Measured at Amortised Cost:	43,285,788	43,285,788	44,666,420	44,666,420
Notice Deposits	10,645,318	10,645,318	20,375,014	20,375,014
Trade Receivables from Exchange Transactions	25,844,713	25,844,713	21,832,213	21,832,213
Trade Receivables from Non-exchange Transactions	6,795,756	6,795,756	2,459,193	2,459,193
Measured at Fair Value	23,764,579	23,764,579	11,619,946	11,619,946
Bank Balances and Cash	23,764,579	23,764,579	11,619,946	11,619,946
Total Financial Assets	67,050,367	67,050,367	56,286,367	56,286,367
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	20,918,356	20,918,356	13,595,874	13,595,874
Annuity Loans	3,529,430	3,529,430	-	-
Finance Lease Liabilities	169,984	169,984	294,563	294,563
Trade and Other Payables:				
- Payables from Exchange Transactions	14,043,640	14,043,640	10,850,131	10,850,131
- Payables from Non-exchange Transactions	2,310,879	2,310,879	2,199,612	2,199,612
- Current Portion of Long-term Liabilities	864,423	864,423	251,569	251,569
Total Financial Liabilities	20,918,356	20,918,356	13,595,874	13,595,874
Total Financial Instruments	46,132,011	46,132,011	42,690,492	42,690,492
Unrecognised Gain / (Loss)		-		-

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2013

	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Bank Balances and Cash	-	23,764,579	-	23,764,579
Total Financial Assets	-	23,764,579	-	23,764,579
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Bank Overdraft	-	-	-	-
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	23,764,579	-	23,764,579

30 June 2012

	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Bank Balances and Cash	-	11,619,946	-	11,619,946
Total Financial Assets	-	11,619,946	-	11,619,946
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Bank Overdraft	-	-	-	-
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	11,619,946	-	11,619,946

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
44 FINANCIAL INSTRUMENTS (continued)		
44.3 Capital Risk Management		
<p>The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.</p> <p>The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 16, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.</p> <p>Gearing Ratio In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,00%, reducing 90,00%. This aggressive ratio is as a result of the development challenges faced by the municipality. The rate of borrowing is well below market related rates.</p> <p>The municipality's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The municipality has a target gearing ratio of 20-25% determined as the proportion of net debt to equity. Based on the committee's recommendations, the municipality expects to increase its gearing ratio closer to 25% through the issue of new debt.</p>		
	2013 R	2012 R
The gearing ratio at the year-end was as follows:		
Debt	6,874,715	2,745,744
Cash and Cash Equivalents	(23,764,579)	(11,619,946)
Net Debt	<u>(16,889,864)</u>	<u>(8,874,203)</u>
Equity	<u>475,233,498</u>	<u>458,050,962</u>
Net debt to equity ratio	<u><u>-3.55%</u></u>	<u><u>-1.94%</u></u>

Debt is defined as Long- and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

44.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The municipality seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The Corporate Treasury function reports quarterly to the municipality's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

44.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
44 FINANCIAL INSTRUMENTS (continued)		
<p><u>Liquidity Risk</u> Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.</p> <p>Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.</p>		
<p>44.6 Market Risk</p> <p>The municipality's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note 47.6.1 below) and interest rates (see Note 47.7 below). The municipality enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:</p> <ul style="list-style-type: none"> • interest rate swaps to mitigate the risk of rising interest rates. <p>Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis.</p> <p>The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 51.7 below). No formal policy exists to hedge volatilities in the interest rate market.</p> <p>There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.</p>		
<p>44.6.1 Foreign Currency Risk Management</p> <p>The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.</p>		
<p>44.6.2 Interest Rate Risk Management</p> <p><i>Interest Rate Risk</i> is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.</p> <p>Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.</p> <p>Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.</p> <p>The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.</p> <p>Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.</p> <p>In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.</p> <p>Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.</p> <p>The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.</p> <p>The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.</p>		
<p><u>Interest Rate Sensitivity Analysis</u> The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.</p>		
<p><u>Cash and Cash Equivalents:</u> If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:</p> <ul style="list-style-type: none"> • Surplus for the year ended 30 June 2013 would have increased / decreased by R176,896 (30 June 2012: increased / decreased by R63,582). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments. <p>The municipality's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.</p>		
<p><u>Finance Lease Liabilities:</u> If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:</p> <ul style="list-style-type: none"> • Surplus for the year ended 30 June 2013 would have decreased / increased by R6,037 (30 June 2012: decreased / increased by R6,300). This is mainly attributable to the municipality's exposure to interest rates on its variable rate borrowings; and <p>The municipality's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments.</p>		
<p>44.7 Credit Risk Management</p> <p><i>Credit Risk</i> refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.</p> <p>Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.</p>		
<p><u>Investments/Bank, Cash and Cash Equivalents</u> The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.</p>		

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
44 FINANCIAL INSTRUMENTS (continued)		
<u>Trade and Other Receivables</u>		
Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.		
Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.		
Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.		
In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.		
The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:		
<ul style="list-style-type: none"> • The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property; • A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount; • The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA; • The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually; • Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters. 		
There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.		
The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.		
Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.		
Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.		
The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.		
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
An audit query was raised as to whether the amounts disclosed in terms of IFRS 7.36 should be GROSS or NETT. The paragraph indicated that the "Maximum" exposure should be disclosed, thus the GROSS amounts should be used.		
Consumer Debtors	47,765,450	47,449,285
Other Debtors	8,881,500	4,325,889
Bank, Cash and Cash Equivalents	34,409,897	31,994,961
Maximum Credit and Interest Risk Exposure	91,056,847	83,770,135
The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:		
	%	%
Consumer Debtors:		
- Household	85.06%	91.44%
- Industrial / Commercial	7.32%	7.12%
- National and Provincial Government	7.62%	1.19%
- Other Classes	0.00%	0.26%
Other Debtors:		
- Other not Classified	2.76%	0.87%
Total Credit Risk	102.76%	100.87%
Bank and Cash Balances		
ABSA Bank Ltd	23,760,879	11,618,366
Standard Bank	10,645,318	20,375,014
Cash Equivalents	3,700	1,580
Total Bank and Cash Balances	34,409,897	31,994,961

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

44 FINANCIAL INSTRUMENTS (Continued)

44.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 46 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Average effective Interest Rate	Total	6 Months or less	2 - 5 Years
30 June 2013	%	R	R	
Non-interest Bearing	0.00%	16,354,519	16,354,519	-
- Payables from Exchange transactions		14,840,268	14,840,268	-
- Payables from Non-exchange transactions		1,514,251	1,514,251	-
Fixed Interest Rate Instruments	5.00%	4,563,837	-	4,563,837
- ABSA Ltd	5.00%	4,563,837	-	4,563,837
		20,918,356	16,354,519	4,563,837
30 June 2012				
Non-interest Bearing	0.00%	13,049,742	13,049,742	-
- Payables from Exchange transactions		11,636,613	11,636,613	-
- Payables from Exchange transactions		1,413,130	1,413,130	-
Fixed Interest Rate Instruments	5.00%	546,132	546,132	-
- DBSA	5.00%	546,132	546,132	-
		13,595,874	13,595,874	-

At the year-end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil.

44.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

45 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R3,031,151 (2012: R2,740,738) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the investment reserve of the fund amounted to R0 (30 June 2011: R67,977) million, with a funding level of 99,4% (30 June 2011: 98,1%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R(7,980) (30 June 2011: R9 930,837) million, with funding levels of 99,9% and 108,0% (30 June 2011: 100,3% and 116,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R1 483, 786 381 (30 June 2009: R1 341, 935 205) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

45 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (continued)

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 110,3 (30 June 2009: R6 303,7) million, with funding levels of 96,0% (30 June 2009: 96,0%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

SAMWU Pension Fund:

No details could be provided for the fund and of any valuation performed.

The contribution rate paid by the members (7,50%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

46 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

46.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
AC Mpela	Municipal Manger	Director of Mthombo Sediba Development Agency (Article 21) and Member of Pride and Grace Trading and Projects cc
P Mosompha	Manger	Member of World Focus 684 cc
NS. Ntshudu	Official (SCM)	Member of Ntsukaze Trading cc
NL. Hermans	Councillor	Member of Woman in Property and Facilities Management cc
SG Mlenzana	Councillor	Member of Amachule Akwantu Art and Craft
S Ngalimani	Councillor	Member of Vukuzenzele Tuck Shop cc
MA Sestile	Councillor	Member of Kwazamuxolo Building and Maintenance Construction cc

46.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2013				
Councillors	10,876	70,557	1,024	2,082
Municipal Manager and Section 57 Personnel	7,643	38,684	1	3,682
Total Services	18,518	109,241	1,025	5,764
For the Year ended 30 June 2012				
Councillors	7,330	59,015	3,977	70,323
Municipal Manager and Section 57 Personnel	12,455	45,514	115	58,084
Total Services	19,785	104,530	4,092	128,406

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

					2013 R	2012 R
46 RELATED PARTY TRANSACTIONS (continued)						
46.3 Loans granted to Related Parties						
In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.						
46.4 Compensation of Related Parties						
Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.						
46.5 Purchases from Related Parties						
The municipality bought goods from the following companies, which are considered to be Related Parties:						
	Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
	Molethu Caterers	Falata N.S	Owner	PA of the Mayor	37,500	-
	Total Purchases				<u><u>37,500</u></u>	<u><u>-</u></u>
47 CONTINGENT LIABILITIES						
	47.1 Guarantees:				<u><u>6,000</u></u>	<u><u>6,000</u></u>
	(i) ABSA Bank:				-	-
	A bank guarantee in the amount of R6 000 was issued in favour of Eskom				6,000	6,000
	(ii) Eskom:					
	The municipality issued a bank guarantee in favour of Eskom to increase its electricity demand to 40 MVA to be able to meet the increasing demand for electricity supply from consumers.					
	47.2 Court Proceedings:				<u><u>6,100,000</u></u>	<u><u>6,134,339</u></u>
	(i) Komanisie Development is claiming loss of income and stock on a housing project to the amount of R6,000,000				6,000,000	6,000,000
	(ii) TMT is claiming R100 000 in terms of a speeding fine project.				100,000	100,000
	(iv) P. Manzi. His contract was not renewed and the case is currently in arbitration. There is a possibility that one (1) months salary might be paid to P. Manzi				-	34,339
	47.3 Landfill sites:				<u><u>10,000,000</u></u>	<u><u>10,000,000</u></u>
	(i) In terms of section 68(1) of the Waste Management Act the municipality might receive a penalty of R10					
	In accordance with section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.					
48 CONTINGENT ASSETS						
	Mr. Percy Mugwedi was charged with fraud for the estimate amount of R100 000 at the beginning of the 2012/2013 financial year, but relates to the current financial year. An investigation is still underway.					
					100,000	100,000

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

49 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2013.

50 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Prior Period Errors (Note 36).

51 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 31 May 2012 the Council adopted the 2012/13 to 2014/15 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
UMSOBOMVU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2012	Received during the Period	Ineterst Charged during period	Redeemed/ Written Off during Period	Balance at 30 June 2013
ANNUITY LOANS	R				R	R		R	R
Development Bank of South Africa	574,533	15.88%	61001728	31/06/2013	83,180	-	10,104	(93,284)	-
Total Annuity Loans	574,533				83,180	-		(93,284)	-
CAPITAL LEASE LIABILITIES									
Account 83517250	447,137	9.50%	83517250	43132	-	447,137	14,511	(37,621)	424,027
Account 83528279	993,106	9.50%	83528279	43132		993,106	32,230	(83,556)	941,779
Account 83527833	993,106	9.50%	83527833	43132		993,106	32,230	(83,556)	941,779
Account 84008046	1,951,765	9.50%	84008046	43252		1,951,765	-	-	1,951,765
Total Capital Lease Liabilities	4,385,113				-	4,385,113		(204,734)	4,259,351
TOTAL EXTERNAL LOANS	4,959,646				83,180	4,385,113		(298,018)	4,259,351

ANNUITY LOANS:

DBSA:

Structured unsecured 25 year loan for upgarding of the water systems. Original loan capital of R574 533 is repayable bi-annually in fixed instalments of capital and fixed rate interest.

ABSA:

Structured unsecured 5 year loan for the purchases of new refuse and sewerage trucks. Original loan capital of R4 385 113 is repayable monthly in fixed instalments of capital and fixed rate interest.

APPENDIX B
UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Land and Buildings										
<i>Land:</i>										
Land: Developed	26,092,957	-	-	-	26,092,957	-	-	-	-	26,092,957
Farms	4,284,900	-	-	-	4,284,900	-	-	-	-	4,284,900
<i>Buildings:</i>										
Office Buildings	5,790,448	-	-	-	5,790,448	3,409,847	232,660	-	3,642,507	2,147,941
	36,168,305	-	-	-	36,168,305	3,409,847	232,660	-	3,642,507	32,525,798
Infrastructure										
<i>Electricity:</i>										
Credit Meters	767,900	-	-	-	767,900	422,345	30,716	-	453,061	314,839
Ground Transformer	2,725,005	90,093	-	-	2,815,098	1,456,729	60,556	-	1,517,284	1,297,814
High Mast Light	6,678,938	-	-	-	6,678,938	3,673,416	667,894	-	4,341,310	2,337,628
Mini Substation	4,974,610	902,797	-	-	5,877,408	1,921,032	124,365	-	2,045,397	3,832,011
Overhead Lines	19,305,754	2,132,338	-	-	21,438,092	8,849,639	482,644	-	9,332,283	12,105,810
Pole Transformer	367,812	-	-	-	367,812	202,296	9,195	-	211,492	156,320
Prepaid Meters	10,472,615	-	-	-	10,472,615	5,759,939	1,047,262	-	6,807,200	3,665,415
Service Connection	260,845	-	-	-	260,845	142,511	8,695	-	151,205	109,640
Street Lights	3,143,443	-	-	-	3,143,443	1,714,484	78,542	-	1,793,026	1,350,417
Switch Box	139,740	-	-	-	139,740	80,583	3,105	-	83,689	56,051
Underground Cables	4,422,802	-	-	-	4,422,802	2,423,405	88,456	-	2,511,861	1,910,940
<i>Roads and Transport:</i>										
Bridges, Subways & Culverts	26,520,103	-	-	-	26,520,103	14,900,912	331,501	-	15,232,413	11,287,690
Road Structures	288,553,715	-	-	-	288,553,715	162,993,565	7,218,844	-	170,212,408	118,341,307
Traffic Management	401,929	-	-	-	401,929	220,397	25,087	-	245,484	156,445
<i>Sewerage:</i>										
Sewerage Pump Stations	1,151,661	-	-	-	1,151,661	103,650	93,550	-	197,199	954,461
Waste Water Treatment Works (plant)	31,013,235	8,447,655	-	-	39,460,890	2,847,729	774,751	-	3,622,480	35,838,410
Collection / Reticulation network	65,975,262	-	-	-	65,975,262	36,286,394	1,649,382	-	37,935,776	28,039,486
Landfill Site	10,079,874	-	-	-	10,079,874	1,314,766	438,255	-	1,753,022	8,326,852
<i>Water:</i>										
Network	269,262,744	-	79,040,261	-	348,303,005	135,737,596	12,351,611	-	148,089,206	200,213,799
	746,217,988	11,572,883	79,040,261	-	836,831,133	381,051,387	25,484,409	-	406,535,796	430,295,337
Community Assets										
Buildings	7,563,944	-	3,766,973	-	11,330,917	3,184,392	263,625	-	3,448,017	7,882,900
Land	797,900	-	-	-	797,900	-	-	-	-	797,900
	8,361,844	-	3,766,973	-	12,128,817	3,184,392	263,625	-	3,448,017	8,680,800
Other Assets										
<i>Computer Equipment:</i>										
Computer Hardware	1,757,790	58,281	-	(43,979)	1,772,092	1,021,250	358,378	(39,403)	1,340,226	431,866
<i>Furniture and Fittings:</i>										
Air Conditioners Individual Fixed and Movable	228,322	-	-	(6,482)	221,840	114,146	59,681	(5,426)	168,401	53,439
Domestic and Hostel Furniture	121,466	-	-	(1,440)	120,026	48,020	11,507	(810)	58,716	61,309
Fixtures & Fittings	128,655	-	-	(4,765)	123,890	60,082	23,158	(3,002)	80,238	43,652
Office Equipment Including Fax Machines	272,331	730	-	(2,337)	270,724	117,745	54,196	(1,726)	170,215	100,510
Office Furniture	3,097,496	49,885	-	(169,523)	2,977,858	1,517,766	552,131	(124,628)	1,945,269	1,032,589
<i>Motor Vehicles:</i>										
Bakkies	998,097	-	-	-	998,097	318,123	119,344	-	437,467	560,630
Emergency Vehicles	485,167	-	-	-	485,167	144,526	46,576	-	191,102	294,065
Motor Vehicles	569,200	-	-	-	569,200	70,455	58,488	-	128,943	440,257
Trailers and Accessories	252,666	-	-	(3,850)	248,816	72,693	24,256	(1,294)	95,655	153,161
Trucks	1,300,428	2,134,518	-	-	3,434,946	548,496	265,212	-	813,708	2,621,238

APPENDIX B
UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Description	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
<i>Machinery and Equipment:</i>										
Audiovisual Equipment	168,715	758	-	(14,860)	154,613	65,385	32,938	(5,684)	92,639	61,974
Road Construction and Maintenance Equipment	2,329,431	1,712,075	-	-	4,041,505	593,361	214,645	-	808,007	3,233,499
Domestic Equipment (non kitchen appliances)	73,064	399	-	(13,927)	59,536	38,830	17,224	(11,756)	44,298	15,238
Radio Equipment	31,363	-	-	(8,600)	22,763	14,113	6,435	(5,418)	15,131	7,632
Kitchen Appliances	85,928	-	-	(5,019)	80,909	49,008	13,038	(4,410)	57,636	23,273
Office Furniture	5,685	-	-	-	5,685	3,240	1,706	-	4,946	739
Fire Fighting Equipment	28,493	-	-	(2,280)	26,213	14,782	7,882	(1,984)	20,681	5,532
Workshop Equipment and Loose Tools Movable	753,822	-	-	(6,747)	747,075	336,385	195,113	(5,331)	526,167	220,908
Medical and Allied Equipment	10,043	-	-	(1,422)	8,621	4,509	1,790	(896)	5,403	3,218
Gardening Equipment	79,679	-	-	(10,729)	68,950	48,492	13,284	(8,377)	53,399	15,551
Electric Wire and Power Distribution Equipment (compressors / generators)	36,355	-	-	(4,200)	32,155	19,885	7,300	(3,605)	23,580	8,576
Survey Equipment	3,891	-	-	(3,499)	392	1,751	700	(2,204)	247	145
Tractors	35,100	-	-	-	35,100	24,658	6,763	-	31,420	3,680
Pumps Plumbing Purification Sanitation and Allied Equipment	30,998	-	-	-	30,998	13,949	5,580	-	19,529	11,469
Music Instruments	63,456	-	-	-	63,456	39,237	3,807	-	43,044	20,412
Workshop Equipment and Loose Tools Fixed	4,920	-	-	-	4,920	2,620	886	-	3,506	1,415
	12,952,562	3,956,645	-	(303,659)	16,605,548	5,303,507	2,102,017	(225,953)	7,179,571	9,425,977
Total	803,700,699	15,529,529	82,807,235	(303,659)	901,733,803	392,949,132	28,082,712	(225,953)	420,805,891	480,927,912

UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2013

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Investment Properties										
Municipal Buildings	1,654,812	-	-	-	1,654,812	-	-	-	-	1,654,812
	1,654,812	-	-	-	1,654,812	-	-	-	-	1,654,812

UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Intangible Assets										
Computer Software	1,650,481	8,180	-	-	1,658,661	1,394,511	104,854	-	1,499,366	159,295
	1,650,481	8,180	-	-	1,658,661	1,394,511	104,854	-	1,499,366	159,295
Total Asset Register	807,005,991	15,537,709	82,807,235	(303,659)	905,047,276	394,343,644	28,187,566	(225,953)	422,305,257	482,742,019

APPENDIX C
UMSOBOMVU LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive and Council	2,261,482	23,423	-	(65,545)	2,219,360	1,000,731	339,388	(50,609)	1,289,510	929,850
Finance and Administration	53,030,521	33,290	49,475	(122,412)	52,990,873	8,757,889	906,080	(98,992)	9,564,977	43,425,897
Community and Social Services	13,278,515	1,765,110	-	(46,672)	14,996,953	2,723,601	1,076,923	(30,518)	3,770,006	11,226,947
Technical Services	792,331,972	13,715,885	28,861,262	(69,030)	834,840,089	381,861,423	25,865,175	(45,834)	407,680,764	427,159,324
Total	860,902,489	15,537,709	28,910,737	(303,659)	905,047,276	394,343,644	28,187,566	(225,953)	422,305,257	482,742,019

APPENDIX D
UMSOBOMVU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

2012 Actual Income	2012 Budgeted Income	2012 Actual Expenditure	2012 Budgeted Expenditure	2012 Surplus/ (Deficit)	Description	Vote Number	2013 Actual Income	2013 Budgeted Income	2013 Actual Expenditure	2013 Budgeted Expenditure	2013 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
26,095,000	26,095,000	13,937,588	14,345,891	12,157,412	Mayor and Executive		29,319,000	26,171,000	17,204,424	17,376,240	12,114,576
8,471,518	6,742,282	19,355,374	14,032,826	(10,883,856)	Finance and Admin		10,974,743	9,145,005	15,029,396	16,970,259	(4,054,653)
14,848,422	7,232,059	18,100,481	9,712,472	(3,252,059)	Community Services		7,796,047	7,420,966	18,473,857	15,665,572	(10,677,810)
81,045,555	32,918,864	53,250,405	34,895,465	27,795,150	Technical Services		97,965,324	36,081,839	78,164,943	73,131,437	19,800,381
130,460,495	72,988,205	104,643,849	72,986,654	25,816,646	Sub-Total		146,055,114	78,818,810	128,872,620	123,143,508	17,182,494
					Revenue Foregone						
130,460,495	72,988,205	104,643,849	72,986,654	25,816,646	Total		146,055,114	78,818,810	128,872,620	123,143,508	17,182,494

Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2012/2013										
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R thousand	1	2	3	4	5	6	7	8	9	10	11
Revenue - Standard											
<i>Governance and administration</i>	36,155	(1,121)	35,034			38,173	40,294		2,120	105.55%	111.45%
Executive and council	29,319	(3,148)	26,171			29,319	29,319		-	100.00%	100.00%
Budget and treasury office	2,382	2,111	4,493			4,493	5,558		1,065	123.69%	233.33%
Corporate services	4,454	(84)	4,369			4,361	5,417		1,056	124.21%	121.63%
<i>Community and public safety</i>	3,195	(498)	2,698	-	-	2,699	2,624		(76)	97.20%	82.10%
Community and social services	892	137	1,029			1,029	740		(289)	71.93%	83.04%
Public safety	2,304	(635)	1,669			1,670	1,878		208	112.44%	81.50%
Housing	-	-	-				1		1		
Health	-	-	-				-		-		
<i>Economic and environmental services</i>	1,069	(17)	1,052	-	-	3,561	743		(2,818)	20.86%	69.47%
Planning and development	-	(8)	(8)			1			(1)		
Road transport	1,069	(9)	1,060			3,560	743		(2,817)	20.86%	69.47%
Environmental protection	-	-	-						-		
<i>Trading services</i>	101,289	(8,597)	92,692	-	-	104,313	102,395		(1,918)	98.16%	101.09%
Electricity	23,766	4,614	28,380			39,802	36,221		(3,581)	91.00%	152.41%
Water	66,816	(20,068)	46,748			46,748	45,069		(1,679)	96.41%	67.45%
Waste water management	5,913	6,638	12,551			12,750	15,933		3,183	124.96%	269.46%
Waste management	4,794	219	5,013			5,013	5,173		160	103.19%	107.90%
<i>Other</i>	-	-	-						-		
Total Revenue - Standard	141,708	(10,232)	131,476	-	-	148,746	146,055		(2,691)		
Expenditure - Standard											
<i>Governance and administration</i>	30,374	3,793	34,167	-	-	32,966	32,233		(733)	97.78%	106.12%
Executive and council	15,583	1,793	17,376			17,376	17,204		(172)	99.01%	110.40%
Budget and treasury office	9,233	1,837	11,070			11,070	10,908		(163)	98.53%	118.14%
Corporate services	5,558	163	5,721			4,520	4,121		(399)	91.18%	74.15%
<i>Community and public safety</i>	7,574	3,857	10,135	-	-	6,420	6,558		139	102.16%	86.59%
Community and social services	3,986	3,593	6,283			2,568	2,301		(266)	89.63%	57.74%
Sport and recreation	1,129	(70)	1,059			1,059	1,234		175	116.50%	109.32%
Public safety	2,025	340	2,365			2,365	2,570		205	108.66%	126.90%
Housing	434	(6)	428			428	453		25	105.90%	104.34%
Health	-	-	-						-		
<i>Economic and environmental services</i>	5,898	4,678	10,577	1,000	4,473	16,050	16,048	(2)	(2)	99.99%	272.08%
Planning and development	-	-	-						-		
Road transport	5,898	4,678	10,577	1,000	4,473	16,050	16,048	(2)	(2)	99.99%	272.08%
Environmental protection	-	-	-						-		
<i>Trading services</i>	35,683	16,582	52,264	22,176	-	74,441	74,025	(417)	(417)	99.44%	207.45%
Electricity	18,881	2,124	21,004	12,000		33,004	32,592	(412)	(412)	98.75%	172.62%
Water	7,479	11,665	19,144	3,895		23,039	23,035	(5)	(5)	99.98%	307.99%
Waste water management	4,820	1,586	6,406	76		6,482	6,482	-	-	100.00%	134.48%
Waste management	4,503	1,208	5,711	6,205		11,915	11,915	-	-	100.00%	264.61%
<i>Other</i>	-	-	-						-		
Total Expenditure - Standard	79,530	28,909	107,143	23,176	4,473	129,877	128,864	(418)			
Surplus/(Deficit) for the year	62,178	(39,141)	24,333	(23,176)	(4,473)	18,869	17,191				

Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2012/2013								
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	3	5	6	7	9	10	11
Revenue by Vote									
Vote 1 - EXECUTIVE & COUNCIL	29,319	(3,148)	26,171		29,319	29,319	(29,319)	0%	100%
Vote 2 - FINANCE & ADMIN	6,982	2,163	9,145		9,145	10,975	(10,975)	0%	157%
Vote 3 - COMMUNITY SERVICES	7,843	(422)	7,421		7,436	7,796	(7,796)	0%	99%
Vote 4 - TECHNICAL SERVICES	97,564	(8,625)	88,939		102,861	(97,965)	97,965	0%	-100%
Total Revenue by Vote	141,708	(10,032)	131,676	-	148,761	(49,876)	49,876	0%	256%
Expenditure by Vote to be appropriated									
Vote 1 - EXECUTIVE & COUNCIL	15,583	1,793	17,376		17,376	17,204	(17,204)	0%	110%
Vote 2 - FINANCE & ADMIN	16,087	703	16,790	(1,200)	15,590	15,029	(15,029)	0%	93%
Vote 3 - COMMUNITY SERVICES	10,781	5,064	15,846	2,490	18,335	18,474	(18,474)	0%	171%
Vote 4 - TECHNICAL SERVICES	37,078	20,053	57,131	21,444	78,576	78,157	(78,157)	0%	211%
Total Expenditure by Vote	79,530	27,614	107,144	22,734	129,878	128,864	(128,864)	0%	586%
Surplus/(Deficit) for the year	62,178	(37,646)	24,532	(22,734)	18,884	(178,740)	178,740		

Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2012/2013										
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R thousand	1	2	3	4	5	6	7	8	9	10	11
Revenue By Source											
Property rates	4,152	42	4,194			4,194	4,735		541	112.89%	114.05%
Property rates - penalties & collection charges	–	(150)	150			150	165		15	110.08%	
Service charges - electricity revenue	19,865	(365)	19,500			19,500	19,645		145	100.75%	98.89%
Service charges - water revenue	8,103	397	8,500			8,500	9,486		986	111.60%	117.07%
Service charges - sanitation revenue	5,712	363	6,075			6,075	6,143		67	101.11%	107.54%
Service charges - refuse revenue	4,643	223	4,862			4,862	4,934		73	101.49%	106.26%
Service charges - other	–	(252)	–			–	–		–		
Rental of facilities and equipment	158	118	292			292	413		121	141.41%	260.82%
Interest earned - external investments	18	4	22			22	914		893	4252.40%	5079.26%
Interest earned - outstanding debtors	1,500	25	1,225			1,225	1,813		588	148.04%	120.90%
Dividends received	–	–	–			–	–		–		
Fines	1,876	(653)	1,238			1,238	1,392		155	112.52%	74.24%
Licences and permits	422	15	436			436	473		38	108.64%	112.06%
Agency services	–	–	–			–	–		–		
Transfers recognised - operational	33,124	(3,148)	29,976	4,148		34,124	45,234		11,109	132.56%	136.56%
Other revenue	277	2,350	2,350	11,422		13,772	10,067		(3,705)	73.10%	3627.82%
Gains on disposal of PPE	–	–	–			–	–		–		
Total Revenue (excluding capital transfers and contributions)	79,851	(1,032)	78,819	15,570		94,389	105,415		(3,705)	73.10%	3627.82%
Expenditure By Type											
Employee related costs	30,516	(93)	30,423	(385)		30,038	30,038	–	–	100.00%	98.43%
Remuneration of councillors	2,330	297	2,627	(137)		2,490	2,488		(2)	99.93%	106.79%
Debt impairment	3,844	(8)	3,836		3,516	7,352	7,503	3,516	151	102.05%	195.20%
Depreciation & asset impairment	3,657	24,020	27,678		359	28,037	28,037	359	–	100.00%	766.57%
Finance charges	488	(323)	165	–		165	127		(39)	76.56%	25.93%
Bulk purchases	15,524	(14)	15,510	250		15,760	15,756	250	(4)	99.97%	101.49%
Other materials	–	–	–	–		–	–		–		
Contracted services	652	(18)	634	2,230	2,230	2,864	2,485	2,230	(379)	86.77%	381.18%
Transfers and grants	–	–	–	–		–	–		–		
Other expenditure	22,519	3,751	26,269	16,824	7,228	43,094	42,354	1,403	(740)	98.28%	188.08%
Loss on disposal of PPE	–	1	1	77		78	78		(1)	99.33%	
Total Expenditure	79,530	27,614	107,144	18,859	13,333	129,878	128,864	7,834	(1)	99.33%	162.03%
Surplus/(Deficit)	321	(28,646)	(28,325)			(35,489)	(23,449)				
Transfers recognised - capital	61,857	(9,000)	52,857	1,500		54,357	52,605			12,040	66.07%
Contributions recognised - capital											-7302.76%
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions	62,179	(37,646)	24,533	1,500	–	18,869	29,156	–	10,287	154.52%	46.89%
Taxation											
Surplus/(Deficit) after taxation	62,179	(37,646)	24,533	1,500	–	18,869	29,156		10,287	154.52%	46.89%
Attributable to minorities											
Surplus/(Deficit) attributable to municipality	62,179	(37,646)	24,533	1,500	–	18,869	29,156		10,287	154.52%	46.89%
Share of surplus/ (deficit) of associate											
Surplus/(Deficit) for the year	62,179	(37,646)	24,533				29,156				

Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2012/2013									
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	3	4	5	6	7	9	10	11
Capital expenditure - Vote										
Multi-year expenditure										
Vote 3 - COMMUNITY SERVICES	–	2,103	2,103			2,103	1,972	(131)	93.78%	100.00%
Vote 4 - TECHNICAL SERVICES	61,857	1,119	62,977	2,500	(13,827)	51,650	43,692	(7,958)	84.59%	100.00%
Capital multi-year expenditure sub-total	61,857	3,222	65,079	2,500	(13,827)	53,752	45,663	(8,089)	84.95%	100.00%
Single-year expenditure										
Vote 1 - EXECUTIVE & COUNCIL										
Vote 2 - FINANCE & ADMIN	–									
Vote 3 - COMMUNITY SERVICES	–									
Vote 4 - TECHNICAL SERVICES										
Capital single-year expenditure sub-total	–									
Total Capital Expenditure - Vote	61,857	3,222	65,079	2,500	(13,827)	53,752	45,663			
Capital Expenditure - Standard										
Community and public safety	–	131	131		–	131	–	(131)	0.00%	100.00%
Community and social services	–	–	–		–	–	–	–		
Housing		131	131		–	131	–	(131)	0.00%	
Economic and environmental services	1,000	444	1,444	–	1,500	2,944	444	(2,500)	15.07%	100.00%
Planning and development	–	–	–		–	–	–	–		
Road transport	1,000	444	1,444		1,500	2,944	444	(2,500)	15.07%	100.00%
Environmental protection	–	–	–		–	–	–	–		
Trading services	60,857	2,647	63,505		(12,827)	50,678	45,220	(5,458)	89.23%	100.00%
Electricity	3,300	20,000	23,300			8,300	3,143	(5,157)	37.87%	100.00%
Water	57,557	(27,557)	30,000		–	30,000	29,705	(295)	99.02%	100.00%
Waste water management		8,233	8,233		2,173	10,406	10,399	(7)	99.94%	100.00%
Waste management		1,972	1,972		–	1,972	1,972	–		
Total Capital Expenditure - Standard	61,857	3,222	65,079	–	(11,327)	53,753	45,663	(8,089)	85%	100%
Funded by:										
National Government	61,857	(9,000)	52,857	(3,479)		49,379	41,296	(8,082)	83.63%	100.00%
Transfers recognised - capital	61,857	(9,000)	52,857	(3,479)	–	49,379	41,296			
Borrowing		4,374	4,374			4,374	4,367	(7)	100%	100%
Internally generated funds		7,848	7,848	(7,848)				–		
Total Capital Funding	61,857	3,222	65,079	(11,327)	–	53,753	45,663			

Reconciliation of Table A7 Budgeted Cash Flows

Description	2012/2013								2011/2012
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
R thousand									
CASH FLOW FROM OPERATING ACTIVITIES	1	2	3	6	7	9	10	11	12
Receipts									
Ratepayers and other	45,509	2,086	47,595	47,595	43,972	(3,623)	9239%	97%	45,088
Government - operating	33,124	(3,148)	29,976	34,124	34,792	668	10196%	105%	28,857
Government - capital	61,857	(9,000)	52,857	54,357	45,385	(8,972)	8349%	73%	67,255
Interest	1,218	29	1,247	1,247	914	(333)	7332%	75%	419
Dividends	-	-	-	-	-	-	-	-	-
Payments									
Suppliers and employees	(75,784)	-	(75,784)	(56,540)	(82,092)	(25,552)	14519%	108%	(63,710)
Finance charges	(488)	323	(165)	(165)	(127)	39	7647%	26%	(127)
Transfers and Grants	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	65,436	(9,710)	55,726	80,618	42,846	(37,772)	57282%	484%	77,783
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE			(1)			-			3
Payments									
Capital assets	(61,857)	(3,222)	(65,079)	(53,752)	(44,448)	9,304	8269%	7186%	45,970
NET CASH FROM/(USED) INVESTING ACTIVITIES	(61,857)	(3,222)	(65,080)	(53,752)	(44,448)				(44,448)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans									
Borrowing long term/refinancing		4,374	4,374	4,374	4,385	11	10026%	10000%	-
Increase (decrease) in consumer deposits									
Payments									
Repayment of borrowing	(1,419)	(1,419)	(1,419)	(1,419)	(367)	1,052	2589%	2589%	(1,331)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1,419)	2,955	2,955	2,955	4,018				(1,331)
NET INCREASE/ (DECREASE) IN CASH HELD	2,159	(8,558)	(6,399)	29,821	2,415	(27,406)	810%	11183%	30,489
Cash/cash equivalents at the year begin:	31,995	34,154	25,596	19,198	31,995				1,506
Cash/cash equivalents at the year end:	34,154	25,596	19,198	49,019	34,410				31,995

APPENDIX F
UMSOBOMVU LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act	Reason for Non-compliance
		Sept	Dec	March	June	Total	Sept	Dec	March	June	Total				
Equitable Share	Dept of Cooperative Governance and Traditional Affairs (COGTA)	12,216,000	9,773,000	7,330,000	-	29,319,000	(12,216,000)	(9,773,000)	(7,330,000)	-	(29,319,000)	N/a	N/a	Yes	N/a
Financial Management Grant (FMG)	National Treasury	1,500,000	-	-	-	1,500,000	(939,355)	(515,008)	(45,637)	-	(1,500,000)	N/a	N/a	Yes	N/a
Municipal Systems Improvement Grant (MSIG)	Dept of Cooperative Governance and Traditional Affairs (COGTA)	800,000	-	-	-	800,000	(252,473)	-	(13,667)	(533,860)	(800,000)	N/a	N/a	Yes	N/a
Library Development Grant	Dept of Sports and Recreation	-	-	715,000	-	715,000	(178,750)	(178,750)	(178,750)	(178,750)	(715,000)	N/a	N/a	N/a	N/a
Municipal Infrastructure Grant (MIG)	Provincial and Local Government	3,433,000	5,776,000	5,062,000	-	14,271,000	(3,780,978)	(2,265,253)	(1,406,722)	(6,001,252)	(13,454,204)	Yes	2011 Unspent	Yes	N/a
Integrated National Electrification Programme (Municipal) Grant	Minerals & Energy	-	3,300,000	-	-	3,300,000	-	(1,267,000)	(1,018,893)	(628,397)	(2,914,290)	Yes	2011 Unspent	N/a	N/a
Energy, Efficiency and Demand Side Management Grant 1A	Minerals & Energy	-	-	-	-	-	(237,200)	(4,383,240)	(2,831,522)	(5,388,621)	(12,840,584)	N/a	N/a	N/a	N/a
Energy, Efficiency and Demand Side Management Grant 1B	Minerals & Energy	-	-	-	5,000,000	5,000,000	-	-	-	(20,794)	(20,794)	N/a	N/a	N/a	N/a
Expanded Public Works Programme Intergrated Grant	Dept of Public Works	400,000	300,000	300,000	-	1,000,000	-	(157,980)	(51,440)	(477,600)	(687,020)	N/a	N/a	N/a	N/a
Development Bank of South Africa	Other	-	668,366	-	-	668,366	-	-	(4,320)	-	(4,320)	N/a	N/a	N/a	N/a
Regional Bulk Infrastructure Grant	Water Affairs and Forestry	9,001,047	9,391,251	6,474,353	3,483,741	28,350,392	(582,714)	(5,479,995)	(5,205,149)	(18,667,233)	(29,935,090)	N/a	N/a	N/a	N/a
Total Grants and Subsidies Received		27,350,047	29,208,617	19,881,353	8,483,741	84,923,758	(18,187,470)	(24,020,225)	(18,086,100)	(31,896,507)	(92,190,302)				

APPENDIX F does not form part of the Annual Financial Statements.

APPENDIX G
UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2013

Incumbent	Basic Salaries	Bonuses	Allowances	Total Remuneration
	R	R	R	R
Mayor				
Hermans N.L	455,830	-	178,635	634,465
Other Councillors				
Mdala N.B	180,874	-	12,018	192,892
Reyners N	180,874	-	14,900	195,775
Mlenzana S.G	180,874	-	12,018	192,892
Gronum C.F	180,874	-	12,018	192,892
Ngaliman S	180,874	-	12,018	192,892
Humphries S.E	180,874	-	12,915	193,789
Fritz S.A	180,874	-	12,018	192,892
Siko S	180,874	-	12,018	192,892
Sestile M.A	180,874	-	15,007	195,881
Total for Councillors	2,083,698	-	293,565	2,377,262

30 June 2013

Incumbent	Basic Salaries	Bonuses	Allowances	Total Remuneration
	R	R	R	R
Municipal Manager				
Mplea A.C	844,491	83,015	134,250	1,061,756
Chief Financial Officer				
Visagie D.T	571,089	66,412	136,594	774,095
Manager: Community Services				
Rossouw B.D	134,241	61,201	28,798	224,240
Manager: Technical Services				
Mosompha P	635,683	66,412	72,000	774,095
Total for Senior Managers	1,341,014	194,024	237,392	1,772,430
Total for Management	3,424,711	194,024	530,956	4,149,692